

Unaudited Consolidated Financial Statements of

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

For the Third Quarter ended May 31, 2007 and 2006

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WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Balance Sheets

	As at May 31, 2007 <u>(unaudited)</u>	As at August 31, 2006 <u>(audited - note 2)</u>
ASSETS		
Current assets		
Cash	\$ 7,376,484	\$ 14,411,315
Accounts receivable	733,374	297,329
Prepaid expenses	58,199	32,219
Inventory	62,377	38,002
	8,230,434	14,778,865
Property, plant and equipment (note 4)	3,753,165	2,403,544
Non-participation amounts due (notes 4 and 12)	2,129,303	1,214,002
Goodwill (note 7)	1,478,751	-
Intangible assets (note 6)	2,031,269	165,173
Deposits	35,782	142,812
	\$ 17,658,704	\$ 18,704,396
LIABILITIES		
Current liabilities		
Bank indebtedness	\$ 98,364	\$ -
Accounts payable and accrued liabilities	1,155,513	1,570,319
Unearned revenue	17,515	309
Current portion of amounts due to shareholders (note 7)	151,637	-
Current portion of obligations under capital leases	34,426	1,878
	1,457,455	1,572,506
Obligations under capital leases	78,597	-
Due to shareholders (note 7)	265,365	-
Asset retirement obligation (note 5)	70,776	62,668
	1,872,193	1,635,174
Shareholders' equity		
Capital stock (note 9)	26,911,271	26,279,824
Contributed surplus (note 9)	2,208,223	1,006,832
Deficit	(13,332,983)	(10,217,434)
	15,786,511	17,069,222
	\$ 17,658,704	\$ 18,704,396

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	
	2007	2006	2007	2006
Revenue				
Service revenue and royalties	\$ 644,471	\$ 301,826	\$ 592,074	\$ 46,502
Production revenue and operator fees, net of royalties & taxes	147,355	73,257	47,500	63,312
Interest and other	277,589	93,591	71,964	93,531
	1,069,415	468,674	711,538	203,345
Expenses				
Direct costs	155,988	157,366	144,242	14,438
General and administrative expenses (schedule 1)	2,113,892	1,264,311	899,830	638,589
Selling, marketing and travel	309,165	112,913	100,994	24,135
Listing and public company fees	151,510	94,305	65,812	24,442
Amortization, depreciation, and accretion	127,149	85,196	48,206	26,677
Research and development	55,164	46,768	21,483	12,812
	2,912,868	1,760,859	1,280,567	741,093
Loss from operations before under noted items	(1,843,453)	(1,292,185)	(569,029)	(537,748)
Gain on disposal of property, plant and equipment	14,653	-	7,998	-
Write-down of property plant and equipment	(160,641)	(12,836)	(160,641)	-
Interest (expense) income	(3,740)	4,830	(3,314)	(2,588)
Stock-based compensation expense (note 9)	(1,206,512)	(438,504)	(426,614)	(281,547)
Foreign exchange gain	84,144	11,774	109,514	20,183
Net loss for the period	(3,115,549)	(1,726,921)	(1,042,086)	(801,700)
Deficit - Beginning of period	(10,217,434)	(7,187,537)	(12,290,897)	(8,112,758)
Deficit - End of period	\$ (13,332,983)	\$ (8,914,458)	\$ (13,332,983)	\$ (8,914,458)
Loss per common share (note 10)				
Basic and Diluted	\$ (0.07)	\$ (0.05)	\$ (0.02)	\$ (0.02)

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Statements of Cash Flow (Unaudited)

	Nine Month Period Ended May 31		Three Month Period Ended May 31	
	2007	2006	2007	2006
Cash provided for (used in)				
Operating activities				
Net loss	\$ (3,115,549)	\$ (1,726,921)	\$ (1,042,086)	\$ (801,700)
Items not affecting cash				
Amortization, depreciation and accretion	127,149	85,196	48,206	26,677
Write-down of property, plant and equipment	160,641	12,836	160,641	-
Gain on disposal of property, plant and equipment	(14,653)	-	(7,998)	-
Stock based compensation (note 9)	1,206,512	438,504	426,614	281,547
	(1,635,900)	(1,190,385)	(414,623)	(493,476)
Net change in non-cash working capital	(774,514)	3,442,266	(660,191)	(2,511,906)
	(2,410,414)	2,251,881	(1,074,814)	(3,005,382)
Financing activities				
(Repayment of) proceeds from bank indebtedness	-	(209,968)	-	36,412
Proceeds from private placement, net of share issuance costs (note 9)	-	17,272,798	-	7,867,908
Repayment of notes payable	-	(35,686)	-	(35,686)
Repayment of amounts due to shareholders (note 7)	(37,809)	(34,189)	(37,809)	(34,189)
Proceeds from options exercised	26,326	181,027	11,326	31,550
Proceeds from warrants exercised	-	2,088,853	-	-
Repayment of obligation under capital leases	(12,627)	(8,249)	(10,749)	(2,840)
	(24,110)	19,254,586	(37,232)	7,863,155
Investing activities				
Business Acquisition (note 7)	(600,000)	-	(600,000)	-
Non-participation amounts due (notes 4 and 12)	(915,301)	-	52,579	-
Purchase of property, plant and equipment	(1,510,262)	(1,061,182)	(570,173)	(758,953)
Proceeds on disposal of property, plant and equipment	23,113	-	11,141	-
Intangible costs	(1,597,857)	(23,588)	(364,085)	(23,588)
	(4,600,307)	(1,084,770)	(1,470,538)	(782,541)
(Decrease) increase in cash	(7,034,831)	20,421,697	(2,582,584)	4,075,232
Cash - Beginning of period	14,411,315	144,634	9,959,068	9,606,567
Cash - End of period	\$ 7,376,484	\$ 20,566,331	\$ 7,376,484	\$ 13,681,799
Supplementary information				
Amount of interest paid during the period	3,524	37,213	2,325	8,443

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

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 involve the licensing and utilization of the Corporation's patented process for the enhancement and improvement of oil recovery and oil well stimulation (Powerwave™), and the optimization of groundwater remediation (Primawave™) approaches. In the oil sector the Corporation's strategy is to license Powerwave to service providers, provide site licenses to oil producers, and acquire or earn working interests in mature oilfields. In the environmental sector the Corporation's strategy is to provide site licenses to service providers, consultants, and stakeholders involved in site specific groundwater clean-up.

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements 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. These interim consolidated financial statements should be read in conjunction with the financial statements of the Corporation for the year ended August 31, 2006.

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

3. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED and NOT YET APPLIED

The following new CICA Handbook Sections have not yet been applied: 3855 *Financial Instruments – Recognition and Measurement*; Section 3865 *Hedges*; Section 1530 *Comprehensive Income*; Section 3862 – *Financial Instruments - Disclosure*; Section 3863 – *Financial Instruments – Presentation* and Section 1535 – *Capital Disclosures*. These new standards are more fully discussed below:

Financial Instruments

The financial instruments standard establishes the recognition and measurement criteria for financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale financial assets", "held-to-maturity investments", "loans and receivables", or "other financial liabilities" as defined by the standard.

Financial assets and financial liabilities "held-for-trading" are measured at fair value with changes in those fair values recognized in net earnings. "Available-for-sale financial assets" are measured at fair value, with changes in those fair values recognized in other comprehensive income. "Held-to-maturity investments", "loans and receivables" and "other financial liabilities" are measured at amortized cost using the effective interest method.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

3. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED and NOT YET APPLIED (continued)

Section 3855 requires that the Corporation record non-financial derivatives as assets or liabilities at their fair value unless exempted from derivative treatment as normal purchase or sale. The Section also requires the Corporation to identify embedded derivatives that need separation from the related host contract and measure those embedded derivatives at fair value. Subsequent change in fair value of embedded derivatives is recognized in the consolidated statement of operations and deficit in the period the change occurs.

Transactions costs that are directly attributable to the acquisition or issuance or disposal of financial assets or liabilities are expensed at the time of occurrence.

This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Early adoption is permitted at the same time an entity adopts other standards relating to accounting for financial instruments.

Hedges

Section 3865 specifies circumstances under which hedge accounting is permissible and how hedge accounting may be performed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Early adoption is permitted at the same time an entity adopts other standards relating to accounting for financial instruments.

Comprehensive Income

The new standards introduce comprehensive income, which consists of net earnings and other comprehensive income ("OCI"). Section 3251 establishes standards for the presentation of equity and for the changes in equity during the reporting period. The cumulative changes in OCI are included in accumulated other comprehensive income, which will be presented as a new category within shareholders' equity.

This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. Early adoption is permitted at the same time an entity adopts other standards relating to accounting for financial instruments.

Capital Disclosures

Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about the entity in regards to capital and whether the entity has complied with any capital requirements and if it has not complied, the consequences of such non-compliance. This standard is effective for the Corporation for interim and annual financial statements beginning on January 1, 2008. Early adoption is permitted at the same time an entity adopts other standards relating to accounting for financial instruments.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

4. PROPERTY, PLANT and EQUIPMENT

	Nine Months Ended May 31, 2007			Year Ended August 31, 2006
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Oilfield property, plant and equipment	\$ 1,801,638	\$ -	\$ 1,801,638	\$ 1,266,615
Equipment	1,950,390	245,880	1,704,510	1,034,484
Computer equipment	186,471	97,552	88,919	54,670
Computer software	42,048	39,000	3,048	2,842
Vehicles and trailers	184,595	62,483	122,112	7,234
Office furniture	68,005	35,067	32,938	37,699
	\$ 4,233,147	\$ 479,982	\$ 3,753,165	\$ 2,403,544

In fiscal 2005 and 2006, the Corporation acquired a total 40% working interest in the production equipment and 780-acres of mineral leases, known as the Chelsea-Alluwe Waterflood Leases. The balance of the working interest was acquired by a related limited liability company, Boulder Oil, LLC ("Boulder") that was originally designated as the operating partner of record. A director and a related party to a director of the Corporation control fifty-five percent (55%) of the voting membership units of Boulder. During fiscal 2006, the Corporation also acquired 100% of the working interests in certain mineral leases adjacent to the Chelsea-Alluwe Waterflood Leases for total consideration of U.S. \$219,000. No costs were incurred on these leases during the nine months ended May 31, 2007.

As at May 31, 2007, the Corporation has capitalized and included in property, plant and equipment its proportionate share of the oil well development costs totaling \$1,801,638 (August 31, 2006 - \$1,266,615) related to the Chelsea-Alluwe Waterflood Leases. Effective February 2006, the Corporation became the operator of record and Boulder, as a non-operating partner, exercised its non-participation rights in the Joint Operating Agreement. As at May 31, 2007, amounts due to the Corporation from Boulder totaled \$2,129,303 (August 31, 2006 - \$1,214,002) and are included in non-participation amounts due.

No depletion or depreciation of oilfield property plant and equipment has been recorded as no meaningful production occurred and no estimate of proved recoverable reserves could be determined, at this time.

Equipment includes assets under construction of \$891,999 (August 31, 2006 - \$541,661), which are not being depreciated.

5. ASSET RETIREMENT OBLIGATION

The Corporation has asset retirement obligations associated with its oilfield property, plant and equipment (note 4). 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:

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

5. ASSET RETIREMENT OBLIGATION (continued)

	Nine Months Ended May 31, 2007	Year Ended August 31, 2006
Asset retirement obligations, beginning of period	\$ 62,668	\$ 29,483
Foreign currency adjustment	(3,917)	(2,065)
Liabilities incurred	6,761	18,582
Liabilities settled	-	(1,519)
Accretion expense	5,264	18,187
Asset retirement obligations, end of period	\$ 70,776	\$ 62,668

The total undiscounted amount of estimated cash flows required to settle the obligation is U.S. \$322,528 (2006 – U.S. \$301,450), 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.

6. INTANGIBLE ASSETS

	Nine Months Ended May 31, 2007			Year Ended August 31, 2006
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Over-riding oil production rights	\$ 1,824,433	\$ -	\$ 1,824,433	\$ 82,127
Intellectual property rights	106,990	1,784	105,206	-
Patents	149,467	49,041	100,426	81,584
License fees and incorporation costs	3,451	2,247	1,204	1,462
	\$ 2,084,341	\$ 53,072	\$ 2,031,269	\$ 165,173

The over-riding oil property production rights are related to the Farm-in Agreement with Greentree Gas and Oil Ltd. (note 8). No amortization expense or impairment test has been undertaken as the oilfield is under development and no production has occurred to date.

7. BUSINESS ACQUISITION

Effective March 1, 2007, the Corporation acquired (the "Acquisition") all of the issued and outstanding shares of Top Gun Sand Pumps & Rentals Ltd. ("Top Gun"), a privately-held Saskatchewan company that provides specialized pumping equipment and services for use in heavy oil wells. Total consideration for the Acquisition was \$1,200,000 (the "Purchase Price"). Of the total Purchase Price, the Corporation paid \$600,000 cash and issued 600,000 common shares in the capital of the Corporation valued at \$1.00 per share.

The Acquisition was accounted for using the purchase method and these financial statements include results of operations of the acquired enterprise from the date of acquisition. The preliminary fair values ascribed to the assets and liabilities are as follows:

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

7. BUSINESS ACQUISITION (continued)

Current assets	\$ 413,323
Non-current assets	132,528
Total assets acquired	545,858
Current liabilities	213,583
Non-current liabilities, amounts due to shareholders and bank indebtedness	611,026
Total liabilities assumed	824,608
Net liabilities assumed	(278,751)
Goodwill	1,478,751
Purchase price	\$ 1,200,000

The above purchase price allocation is based upon a preliminary evaluation of the fair value of the assets and liabilities acquired.

8. COMMITMENTS

Greentree Gas and Oil Ltd. Farm-in Agreement

In the year ended August 31, 2006, the Corporation entered into a “Farm-in” Agreement with Greentree Gas and Oil Ltd. (“Greentree”) to develop Greentree’s Rodney South oilfield lease in southern Ontario. 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 also provides field maintenance, 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. As at May 31, 2007, the Corporation has paid \$1,663,224 (August 31, 2006 – \$74,663) and accrued \$161,209 (August 31, 2006 – \$50,637) under the Farm-in Agreement (note 6). The Corporation is obligated to fund the remaining balance of up to \$425,567 under the Farm-in Agreement.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

9. SHARE CAPITAL

Capital stock

The Corporation's authorized and issued share capital as at May 31, 2007 and August 31, 2006 is as follows:

Authorized

Unlimited common shares without par value

	Nine Months Ended May 31, 2007		Year Ended August 31, 2006	
	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 Top Gun Acquisition	600,000	600,000	-	-
Shares issued in private placement	-	-	13,610,979	17,252,343
Stock options exercised ^(a)	58,316	31,447	414,366	215,219
Warrants exercised	-	-	5,890,110	2,505,463
Balance	48,572,112	\$ 26,911,271	47,913,796	\$ 26,279,824
Warrants				
Balance, beginning of period	-	-	4,873,314	66,848
Warrants granted in private placement	-	-	1,959,160	73,840
Exercised	-	-	(5,890,110)	(140,500)
Expired	-	-	(942,364)	(188)
Balance	-	-	-	-

- a. The 58,316 stock options exercised during the period ending May 31, 2007 were at a weighted average exercise price of \$0.45 by employees of the Corporation. Of the 414,366 stock options exercised during the year ended August 31, 2006, 340,200 stock options were exercised by directors of the Corporation at prices ranging from \$0.40 to \$0.50.

A summary of the status of the Corporation's stock option plan as at May 31, 2007 and August 31, 2006, and the changes during the periods ending on those dates is presented below:

Stock Options	Nine Months Ended May 31, 2007		Year Ended August 31, 2006	
	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 ^(a)	205,000	0.97	1,340,000	2.28
Exercised	(58,316)	0.45	(414,366)	0.44
Cancelled ^(b)	(50,000)	0.40	(35,000)	0.43
Outstanding, end of period	3,037,773	\$ 1.30	2,941,089	\$ 1.29

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

9. SHARE CAPITAL (continued)

- a. Of the 205,000 stock options issued with an exercise price of \$0.97 during the nine month reporting period, directors of the Corporation were issued 90,000. These stock options are subject to the stock option plan and expire on March 7, 2012.
- b. During the nine month reporting period ended May 31, 2007, 50,000 non-employee incentive stock options, with an exercise price of \$0.40 were cancelled.

For the nine months ended May 31, 2007, the Corporation recorded compensation expense relating to stock options totaling \$1,206,512 (2006 – \$438,504), with an offsetting increase to contributed surplus.

The fair value of each option grant by the Corporation was estimated using the Black-Scholes option-pricing model assuming no dividends are paid on common shares, risk-free rates ranging from 3.17% to 4.29%, an average life of five years, and volatilities ranging from 58.7% to 115.06%. The weighted average fair value of each option grant by the Corporation was estimated at \$1.24 (May 31, 2006 - \$1.30). 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 holders.

Escrow Shares

In connection with the Business Acquisition (note 7), the 600,000 common shares issued by the Corporation to the vendors were placed in escrow. These common shares held in escrow are being released from escrow over a period of three years from the date of issue, March 1, 2007. The balance of common shares held in escrow as at May 31, 2007 was 540,000. In connection with the reverse take-over that occurred in September 2003, the common shares held in escrow as at August 31, 2006 was 1,435,733.

10. 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 47,927,816 (May 31, 2006 – 33,926,976).

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 May 31, 2007.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

11. ECONOMIC DEPENDENCE and SEGMENTED INFORMATION

The Corporation has one reportable operating segment being the enhancement of oil recovery, oil well stimulation, and optimization of groundwater remediation using the Corporation's patented technology. During 2006, the Corporation acquired certain oilfield property and equipment and incurred certain development costs (note 4) as part of its strategy to employ and further develop the market for its technology. To the extent that operations associated with oil and gas development activity become significant as an operating segment separate from the Corporation's primary business, segmented information, may be required in the future.

In the nine month period ended May 31, 2007, sales from the Corporation's top two customers amounted to \$269,091 and \$119,023 which represent 25% and 11% of total revenue, respectively. In addition, during the nine month reporting period, the Corporation recognized production revenue of \$54,323, which represented 5% of total revenue, and an operator fee of \$93,032, which represents 9% of revenue. In comparative 2006, sales from the top two customers amounted to \$134,001 and \$99,691, which represented 29%, and 21% 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 \$735,715 (2006 – \$150,411). The remaining revenue of \$336,441 (2006 - \$135,492) was generated from the United States.

As at May 31, 2007 the Corporation had capital assets of \$10,129,225 (August 31, 2006 - \$16,444,264), and goodwill of \$1,478,751 (August 31, 2006 - nil) located in Canada. In the United States the Corporation had capital assets of \$1,890,156 (August 31, 2006 – \$797,368) and intangible assets totaling \$2,234,509 (August 31, 2006 - \$1,379,175).

12. RELATED PARTY TRANSACTIONS

During the period ended May 31, 2007, the Corporation had the following related party transactions:

- a. During the nine month period there were no exercises of incentive stock options by related parties (2006 – 295,200 incentive stock options were exercised at a price of \$0.44 to \$0.45 for aggregate consideration of \$130,510).
- b. During the nine month period there were no exercises of common share purchase warrants by related parties (2006 – 906,484 common share purchase warrants were exercised at prices ranging from \$0.44 to \$0.45 for aggregate consideration of \$382,443).

In fiscal 2006, 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 May 31, 2007, amounts due to the Corporation by Boulder totaled \$2,129,303 (August 31, 2006 - \$1,214,002). Under the Joint Operating Agreement, the Corporation will receive all production revenues from production wells associated with the costs incurred until such time as the Corporation is repaid 200% of the costs incurred, after which, production revenues will revert back to the working interest proportions. Since no meaningful production has occurred and no estimate of proved reserves can be determined, at this time, no valuation of carrying value of the non-participation amounts due has been performed, and no amounts recovered from non-participation amounts due have been attributed to revenue as the implied interest income cannot be determined.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

13. SEASONALITY OF OPERATIONS

The Corporation focuses its resources on the implementation of Powerwave and Primawave with third parties, and where it can showcase the Powerwave Process in oilfields where it has mineral rights. The target geographical area of the direct licensing of Powerwave and Primawave with third parties is the United States and Canada. There are no known seasonal fluctuations as they relate to the application of Powerwave and Primawave.

14. SUBSEQUENT EVENTS

Subsequent to the reporting period, the Corporation terminated its Letter of Intent to acquire I.C.I. Solutions Inc. The Corporation has recorded \$80,625 of legal and tax related advisory fees associated with the potential acquisition of I.C.I. Solutions Inc., which are included in professional fees.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2007

SCHEDULE 1

Schedule of General and Administrative Expenses

	Nine Month Period Ended May 31		Three Month Period Ended May 31	
	2007	2006	2007	2006
Wages, employee benefits, and contract employees	1,061,718	557,553	428,106	207,347
Professional fees	424,567	350,175	192,876	282,043
Office	309,786	183,281	117,644	56,361
Consultants	193,330	81,633	91,757	57,227
Vehicle	71,981	57,060	32,583	16,292
Repairs and maintenance	38,330	29,743	23,274	18,722
Miscellaneous	3,162	4,866	2,572	597
Bad Debts	11,018	-	11,018	-
	2,113,892	1,264,311	899,830	638,589

Powerwave and Primawave are registered trademarks of Wavefront Energy and Environmental Services Inc.