Wavefront Energy and Environmental Services Inc.

Annual Report

For the fiscal

year ended

August 31, 2008

The following discussion and analysis of financial results should be read in conjunction with the audited financial statements and the accompanying notes for the year ended August 31, 2008 and is based on information available to December 29th, 2008. Additional information on Wavefront Energy and Environmental Services Inc.'s (the "Corporation" or "Wavefront") is available on SEDAR at www.sedar.com.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Responsibility

The management of Wavefront Energy and Environmental Services Inc. ("Wavefront" or "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 of Financial Conditions and Results from Operations are also reviewed and approved by the Audit Committee of the Corporation's Board of Directors. This Management Discussion and Analysis of Financial Conditions and Results from Operations contain information available to December 29th, 2008.

Non-GAAP Measures

Included in the management discussion and analysis are terms not defined by Generally Accepted Accounting Principles ("GAAP") in Canada and consequently is referred to as a non-GAAP measure. Reported amounts may not be comparable to similarly titled measures reported by other companies.

Overview of Business

The principal business of Wavefront is the development and commercialization of innovative technologies and processes for injection and recovery of fluids in both the environmental and energy sectors. At the core of the Corporation's strategic value proposition is its patented fluid flow process marketed in the energy sector as Powerwave™ and in the environmental sector as Primawave™ (collectively known as 'PW' or "the technology").

The Corporation's business model is to create a recurring revenue stream by licensing its technology to the user community for fixed durations. In licensing the technology, the Corporation provides end users a PW system to carry out the licensed process. As such the Corporation capitalizes the PW systems. As the value proposition to the end client is in the process, at no time are the Corporation's systems transferred or otherwise sold to third parties.

Powerwave has been successfully applied in heavy and light oil development. Powerwave has also been proven to be an effective method of increasing injection and production flow rates, production well efficiency, and oil recovery ratios in a wide variety of configurations through the following techniques:

Short-term Well Intervention Applications

- Well bore clean-up
- Chemical and acid treatments
- Remedial sand control

Long-term Stimulation Applications

- Add-on to all flooding approaches (water, CO_2, surfactant, polymer) to maximize recovery factor and extend field life
- Add-on to water disposal wells

Groundwater quality remains a concern across the globe and the remediation of groundwater contaminants continues to be a growing industry. Wavefront provides Primawave as a value added approach to service and consulting companies tasked with site clean-up. Primawave has been verified as an environmental remedial strategy by Environment and Industry Canada. The following are some applications of Primawave in the environmental sector:

- Enhancement of "pump-and-treat" systems to extract contaminants; a similar approach to an oilfield waterflood;

- Improved injection of "*in situ*" or "in-ground" remedies, such as the injection of biological agents, chemical compounds or oxidants to neutralize groundwater contaminants; and,

- Rehabilitation of water wells.

Whether employed in the oil or environmental sector the method of implementation of PW is specific to suit site characteristics and depends upon, among other things, the characteristics of the fluid pressure pulse created. Part of Wavefront's value proposition is to monitor and model PW efficacy in order to maximize its benefits. Thus, Wavefront's intellectual property strategy is to maintain absolute control over its PW modeling simulator known as the "PW Analyzer". The simulator enables Wavefront to generate estimations on potential outcomes of PW programs over a wide and varied range of geological conditions and to provide those estimations to customers as a means of planning PW implementation strategies.

Energy and Environmental License Agents of PW

- The Corporation continues to maintain 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 Powerwave 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 Powerwave systems for the improvement or enhancement of oil recovery, oil well stimulation and oilfield disposal methodologies.

- The Corporation maintains a non-exclusive Technology License Agreement with Environmental Resources Management ("ERM"), and utilizes outside service contractors, companies providing remedial fluids, as well as outside sales agents to grow Primawave revenue in the environmental sector.

In addition to offering PW as a fluid injection process, the Corporation also provides oilfield pumps for heavy oil production optimization. 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-based company that rents and sells specialized pumping equipment and well cleaning tools 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 $542,250 cash, issued 600,000 common shares in the capital of the Corporation valued at $1.00 per share, and repaid notes payable in the amount of $57,750. On the acquisition date the Top Gun name was renamed "Wavefront Sand Pumps & Rentals Ltd." ("Wavefront Sand Pumps") to conform to the Wavefront brand.

During the fiscal year the Corporation revised and finalized its estimates associated with the purchase price allocation for the Top Gun Acquisition. The finalization of the purchase price allocation included the assignment of $375,161 to property, plant and equipment which Top Gun had previously expensed opposed to being capitalized and amortized. The property, plant and equipment consists mainly of rental (i.e., pumping equipment for use in oil production) and shop equipment, and is now being amortized consistently with the Corporations other property plant and equipment. Any sale of rental equipment is recognized as a gain or loss on the disposition of property, plant and equipment.

In addition to the above revision to the Top Gun property, plant and equipment, the Corporation revised the carrying value of the non-interest bearing Shareholder notes, discounting the principal outstanding by $57,068, such that the Corporation is accruing interest at 8.5% on the Shareholder notes payable.The accruing of interest had an affect of increasing interest expense for the current fiscal year by $28,660. Interest expense related to the Shareholder notes will approximate $13,652 for the next fiscal year.

OVERALL RESULTS FROM OPERATIONS

Currently the Corporation in managing its business and reporting structure, does so on a consolidated basis, as such, does not present its operational results on a segmented basis.

Despite successfully implementing Powerwave with multiple clients in Alberta and Saskatchewan in prior years, one of the impediments to full commercialization of Powerwave has been the lack of verifiable data regarding injection and ultimate oil production. The obstacle of having verifiable data is that Powerwave clients have operated in "tight holes", i.e., they have required, except in limited circumstances, Wavefront to keep all information and resulting data pertaining to their oilfields operation and use of Powerwave confidential and, specifically to not disclose such information and data to competing producers. To overcome this obstacle, in a prior year, the Corporation acquired working interest in the production, equipment and mineral leases of an oilfield situated in Rogers County, Oklahoma, and set out to showcase Powerwave.

Rogers County was targeted to showcase Powerwave for the following reasons:

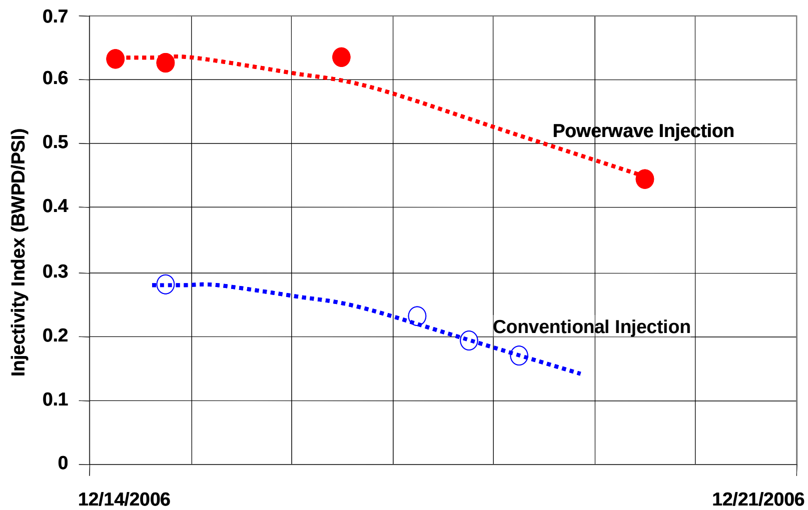
i) All prior work was undertaken in Canada in proximity of the Alberta/Saskatchewan heavy oil belt. Management believed that having a showcase in the United States, the largest geographic area of secondary and enhanced oil recovery would assist the Corporation in accessing an untapped market.

ii) Since the majority of prior Powerwave work was done in heavier oil, there existed a misconception that Powerwave was a heavy oil technology. Powerwave and its environmental counterpart Primawave, in fact excel, in reservoirs of higher fluid viscosity as the waveforms are easier to generate. Management therefore believed targeting an oilfield with lighter oil would assist in nullifying this misconception.

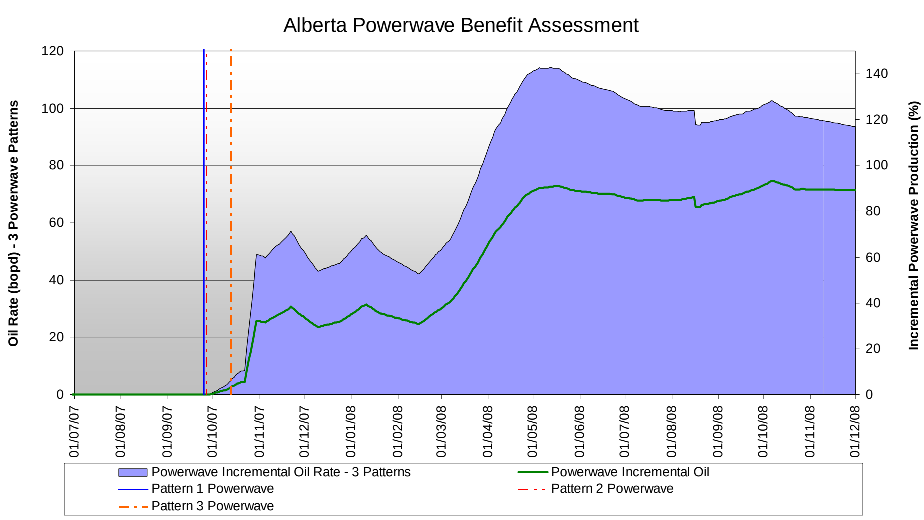
iii) The Corporation's working capital position, at the time of acquisition, was such that it could only target "stripper fields", i.e., by definition an oilfield where production is less than 10 barrels of oil per day ("bbl/d").

Of the 1,370 acres under lease in Rogers County, the Corporation developed approximately 205 acres (or 17.25% of total acreage). The development that occurred had to be to the standards of a more prolific oilfield as the Corporation's targeted customers are oil producers having a minimum production level of 1,000 bbl/d.

As a focused technology-based company during the current fiscal year the Corporation determined that it was not necessary to fully develop the entire Rogers County acreage to quantify the benefits of Powerwave as well as gain long-term performance data of Powerwave systems. With a section of Rogers County developed to a stage that could showcase Powerwave, in the fiscal year, a senior reservoir engineer of a multinational client analyzed and summarized the historical Powerwave injection data obtained for Rogers County into the graphical presentation below. The graph displays the injection benefit of Powerwave versus conventional injection where water is injected through open-ended tubing. In this analysis Powerwave provided a doubling of the injection rate at the same relative injection pressure. The potential benefit of increased injection is important to oil producers as water throughput influences fluid production rates. For example, in a volume balanced system for every one barrel of water injected one barrel of fluid is produced. By increasing water throughput without having to ratchet-up the pressure, if two barrels of water were injected as in the case study provided, it would equal two barrels of fluid production. Hence, the oil company gains benefits of increased throughput, increased fluid production as well as reduced electrical consumption as it has increased throughput without the need to ratchet-up pressure (i.e. higher pressures require more horsepower which equates to greater electrical consumption).



The strength of the verifiable water injection data from Rogers County led to the installation of three Powerwave systems in Alberta with a major Canadian oil producer. The three Powerwave tools influenced a total of 16 wells in three injection patterns. After one-year of implementation Powerwave has thus far yielded a production benefit of approximately 14,500 barrels of oil. The figure below presents the production benefit for the Alberta project.



The magnitude of the production increase provided a significant financial benefit to the client and the client placed an order for an additional ten Powerwave systems. The success of the Alberta project has spurred considerable interest from oil producers across North America and positively affected the growth rate of Powerwave.

Following the belief that verifiable data was needed from multiple data sets, from different geological locations and formations the Corporation in 2006 entered into a "Farm-in" Agreement with Greentree Gas and Oil Ltd. ("Greentree") to develop Greentree's Rodney South oilfield with Powerwave.

With data from Rogers County, fiscal 2008 was a continuation of the efforts to focus of the Corporation away from oilfield development to the commercialization of Powerwave in the energy sector. More specifically, the Corporation strategic objectives for fiscal 2008 were to:

Objective	Results Achieved
Secure capitalization to fund tool inventory and general working capital	The Corporation closed two private placements for gross proceeds of $13,895,393. As well, the underlying share purchase warrants associated with the two private placements were exercised for gross proceeds of $9,141,704.
Install one hundred Powerwave systems	Confirmed and pending contracts in the fiscal year for the installation of 91 Powerwave systems.
Launch a certified Primawave service provider program on east and west coasts of USA	A major environmental consultant with offices in Islandia, NY; Raleigh, NC; and Tampa, FL; became a Certified Primawave Service Provider.
Lock up a high profile Primawave project with major industrial client	The remediation of an east coast refinery operation was secured to profile Primawave as an effective groundwater remediation technology.
Increase pump market share for Wavefront Sand Pumps	The economic environment led to a decrease in overall market activity; however, it is believed that market share remained constant.

More specifically the major developments occurring in fiscal 2008 include the following:

- The resulting injectivity data from Rogers County has directly lead to and/or assisted the Corporation in securing Powerwave contracts in Alberta, Saskatchewan, Pennsylvania, Texas, and Alaska. As of December 29, 2008, the Corporation has secured 17 Powerwave projects, having installed 25 Powerwave systems, with 53 systems pending installation. The Corporation is waiting on final confirmation of an additional 6 Powerwave projects representing 13 systems. The installation of systems is dependent on the individual oilfield operators scheduling that often is associated with planned work on targeted injectors, and beyond Wavefront's control. Contracts and pending contracts that do not involve production overrides (13 Powerwave systems) total 78 Powerwave systems, and when installed, would represent $213,500 in monthly gross revenues.

  Ten of the current seventeen clients have identified that there exists a total of 4,096 injectors in the current field locations where Powerwave is, or is to be implemented. In addition to new projects and new installations these 4,096 injectors are being targeted by Wavefront for Powerwave installation in the future.

- The Corporation together with Greentree finalized the development of the South Rodney oilfield under a farm-in arrangement. During the fiscal year the Corporation began recognizing production revenue from the South Rodney oilfield.

- The strategy of showcasing Powerwave in the oilfields the Corporation has participated in is designed to:

    - Demonstrate the positive benefits of Powerwave with a large number of permanently installed systems.
    - Have a site where potential clients may have unencumbered access to Powerwave results.
    - Provide on-going results as to the economic benefits of Powerwave to support marketing efforts.
    - Increase the Corporation's revenue and asset base.

- The Corporation completed the development of new tooling systems to deliver Powerwave in the energy sector. The development of these tools will allow the Corporation and it licensees' to deploy Powerwave across a broader range of geological environments, at lower costs, and increase the potential markets for Powerwave. With the finalization of the development of certain tooling, the Corporation re-assessed the work-in progress projects and re-classed $394,714 in costs to research and development. Furthermore, the development of these systems resulted in an increase in research and development expense over the comparative period.

Revenues

Revenues for the year ended August 31, 2008 were $1,752,562. This is an increase of $215,284 over the comparative period in 2007 that recognized revenues of $1,537,278. The increase in revenues is primarily a result of the interest generated from the investment of cash from private placements that closed on December 24, 2007 and January 31, 2008 and related warrant exercises.

During the fiscal year the Corporation recognized production and operator revenues of $216,832 (2007 - $192,395) related to the Rogers County and Rodney South ventures. Of the production and operator revenue recognized, $76,129 (2007 $nil) relates to the Rodney South Venture, whereas $140,703 (2007 - $170,806) relates to Rogers County.

Production revenue, alone, from Rogers County increased by $28,182 to $115,865 (2007 - $87,683). The increase in production revenue from Rogers County is due to increased production volume and gross commodity prices received.

During the fiscal year service revenue and royalties related to the tubing pumps, bailer and surge cup rentals market totalled $763,357 compared to the $678,183 for six months ended August 31, 2007. The tubing pumps, bailer and surge cup rentals principally pertain to the revenues derived from the Top Gun Acquisition. These revenues were negatively affected in the current year by government regulations (i.e., the elimination of income trusts in Canada, and increasing royalty rates in Alberta, Canada).

Revenues related to Powerwave and Primawave remained relatively flat when compared to the previous fiscal year, as the Corporation provided new customers with discounts. The discounts ranged from overall pricing discounts to initial free periods, but were based on the potential number of Powerwave system that could be installed in a particular oilfield and the overall term of the contract.

Geographically, $1,610,852 (2007 – $1,318,738) in revenue was generated in Canada, and $141,710 (2007 - $218,540) from the USA.

Direct Expenses

Direct expenses related to service revenue and royalties increased to $734,451 (or 70.4% of gross services and royalty revenue) compared to $337,862 (or 34.0% of gross service and royalty revenues) for fiscal 2007. The current year increase in direct costs relates principally to the tubing pumps, bailer and surge cup rentals market performed in the heavy oil sector, which amounted to $416,106 an increase of $396,589 over the comparative fiscal year amount of $288,802. Also included in direct costs are the costs associated with overriding royalty Powerwave projects, i.e., projects where the Corporation receives a percentage of net or gross production revenue. Since production can fluctuate, the gross margin on these projects can also fluctuate from positive to negative; however, the expected long-term rate of return has been negotiated to off-set such risk.

Other Operating Expenses

Other operating expense for the period amounted to $5,528,928, compared to $3,819,874 in 2007. The increase in operating expenses of $1,709,054 (2007 compared to 2006 $1,066,674) was principally a result of the following changes:

i) An increase in "research and development" expenses of $530,328, which can be attributed to the reclassification of $394,714 in costs to research and development, and other costs associated with the Powerwave and Primawave tool research and development. The development of Powerwave and Primawave tools is essential to the long-term strategic position of the Wavefront, as new tool designs open new applications and markets, i.e., diameter of injectors and injectors that are operating without power, or tool durability for the Corporation's technology. When efforts are to design tools are experimental or do not result in commercial designs, the Corporation costs these expenses to research and design. The Corporation will continue to undertake to develop new tools in the future, some of which may not result in commercial designs and be expensed to research and development expenses.

ii) General and administrative expenses, totalling $3,434,953, comprised the second largest increase in operating expenses. The following table provides comparative details for the general and administrative expenses.

	2008 **$**	**2007** **$**
Wages, employee benefits, and contract employees	1,853,817	1,438,174
Professional fees	579,807	600,329
Office	502,497	435,225
Consultants	139,327	241,086
Vehicle	189,107	107,258
Repairs and maintenance	160,058	71,390
Bad debts	2,429	11,018
Miscellaneous	7,911	3,529
	3,434,953	2,908,009

The increases in general and administrative expenses primarily related to the following:

- An increase in "wages, employee benefits, and contract employees" expense of $415,643 that can be attributed to an increase in wage rates and numbers of staff. For fiscal 2008, the Corporation employed 27 full-time employees and 4 casual / co-op student employees (2007 - 22 full-time employees and 2 casual / co-op student employees). The increase in employees was focused in the areas of increased sales personnel and personnel required for Powerwave and Primawave installations as well as client and licensee training. Although the Corporations business model is not to be a services company, it is believed that to ensure the proper installation and operation of the initial Powerwave and Primawave systems that the Corporation undertake installations in the short-term.

- An increase in "repairs and maintenance" expense of $88,668 related to pump and PW repairs that were not charged to job and did not relate to the betterment of those systems.

  During the fiscal year the Corporation built an in-house testing facility for Powerwave and Primawave quality assurance. Included in "repairs and maintenance" expenses for this period are the period expenses associated with operating the testing facility.

- An increase in "vehicle" expenses of $81,849 that can be attributed to the increase in vehicle use by the increase in sales personnel, and the use of rental vehicles versus leasing vehicles. Use of rental vehicles has increase with the increase in the number of Powerwave systems that the Corporation undertook.

- An increase in "office" expenses of $67,272 relates to the establishment of a new sales office in Calgary, Alberta, increase insurance rates, and the establishment of test facility for Powerwave and Primawave systems in Edmonton, Alberta. The later of which required the Corporation to increase the amount of warehouse space being leased.

iii) Additional other operating expenses resulted in expense increases amounting to $651,782, and relate to the following:

- An increase in "amortization, depreciation, depletion and accretion" expenses of $386,879. Of the increase, $61,963 relates to the amortization of the definite life long-lived asset related to the South Rodney Venture, which was not amortized in the prior year, and the increase in the amortization of the Corporation's Powerwave and Primawave systems.

  During the year the Corporation also began recognizing 100% of any potential asset retirement obligation versus its proportionate underlying ownership of the asset. The change is a result of recognition that the Corporation may be held jointly and severally liable for such restoration costs. As such the corresponding accretion expense also increased.

  Additionally, during the fiscal year the Corporation acquired new accounting software to facilitate future growth of the Corporation, better project management and tracking of assets, which has affected amortization expense.

- An increase in "selling, marketing, and travel" expense of $212,141 which relates to increased activity and resulting increase in the size of the Corporation's sales force and operating at multiple office locations across Canada and the United States. The Corporation will continue to expand its sales force focusing on the United States southeast and west coast locations.

- An increase of "listing and public company fees" of $52,762 which relates to the associated expenses related to developing a secondary market for the trading of the Corporation's securities.

iv) During the fiscal year the Corporation decided to cease further development of Rogers County, so in accordance with the CICA recommendations for impairment for unproved properties under full cost accounting guidelines, the Corporation realized a non-cash write-down of its Rogers County oilfield property, plant and equipment and non-participation amounts due by $2,095,242 (see Assets and Liabilities, and Transaction with Related Parties for further discussion).

Net Loss and Loss Per Share

The basic and diluted net loss, before the write-down of property, plant and equipment and intangible assets for the year ended August 31, 2008 was $4,799,276 ($0.077 per share), compared to $4,189,260 ($0.09 per share) in 2007. The basic and diluted net loss, of the extraordinary expenses of the write-down of property, plant and equipment and intangible assets for the year ended August 31, 2008 was $2,945,103 ($0.035 per share, compared to $160,641 ($0.003 per share) in 2007.

The basic and diluted net loss for the year ended August 31, 20087 was $6,945,179 ($0.11per share), compared to $4,349,901 ($0.09 per share) in 2007. The increase in net loss is attributed to:

- A focus on the commercialization of the Corporations' core Powerwave and Primawave technologies, through increased sales force, and personnel capable of ensuring the proper installation and operation of the Powerwave and Primawave technologies. This had an affect of increasing current expense in anticipation of obtaining larger market penetration;

- The write-down of $2,095,242 on property, plant and equipment associated with the Rogers County operations.

- Offsetting the decrease in service revenue associated with such efforts were the revenues derived from Top Gun Acquisition.

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total assets increased by $15,408,973 to $31,928,727. The increase however, was primarily due to an increase of $17,004,770 of cash on hand.

As at August 31, 2008 the Corporation held a 40% working interest in an aggregate of 780 acres, consisting of four separate oilfield leases, and a 90% working interest in an aggregate of 580 acres, consisting of four separate oilfield leases in Rogers County, Oklahoma. These leases are classified as unproven, and as such are not subject to depletion or depreciation, as the oilfield is still under development. However, in accordance with the Canadian Institute of Chartered Accountants full cost accounting guidelines, the Corporation estimated future production and based on this internal estimate realized a write-down of its Rogers County oil and gas property, plant and equipment and non-participation amounts due by $2,095,242 (see Transaction with Related Parties for further discussion). This write-down was determined based on estimated present value of future cash flows calculated using: an economic life of 31 years, cumulative production of 41,881 barrels of oil, the Corporation's historical commodity price of $97.96 per barrel of oil, and a 4.02%, discount rate. Given the volatility in the financial and commodity markets, management choose to use the historical commodity price rather than the year-end the future spot rate for light, sweet crude oil of $117.66 per barrel of oil. The calculated amounts to be written down, and the resulting carrying value of the Rogers County assets, may not be indicative of the actual values. Additionally, given the volatility in the financial and commodity markets, the Rogers County assets may be subject to future write-downs.

Despite the decision to write-down the Rogers County assets, management is of the belief that assets provided strategic value to the Corporation in that it lead directly to the commercial contracts that the Corporation now enjoys.

The Corporation held a one hundred (100%) percent working interest in an aggregate of 1,679 acres, consisting of multiple oilfield leases in Young County, Texas that was acquired in fiscal 2007. Additionally, during the fiscal year, the Corporation acquired a fifty (50%) percent working interest in an aggregate of 500 acres, located in north central Taylor County, Texas for total consideration of $39,768.

The acquisitions of oilfield leases are to allow the collection of data, over a range of different geological conditions that can be audited by potential third party Powerwave customers.

Total liabilities decreased by $355,125 from the previous year-end to $1,478,624. This was principally due to the decrease in accounts payable and accrued liabilities (totalling $207,295), and the extinguishment of lease obligations (totalling $73,831).

The reduction in liabilities however, were offset by an increase of $99,672 in asset retirement obligations that resulted from the Corporation recognizing that it may be held jointly responsible for plugging and abandonment costs associated with the Rogers County venture. Thus, the Corporation has recognized 100% of the asset retirement obligations.

Liquidity

As at August 31, 2008, the Corporation had working capital of $22,085,948. The Corporation believes that its working capital position will decline despite having a significant increase in the number of Powerwave contracts in-hand, as Wavefront cannot control or dictate the installation schedules. It is believed however, that as each client experiences positive Powerwave results that further uptake of the technology will require the Corporation to increase its Powerwave inventories.

Financings

During the fiscal year ended August 31, 2008, the Corporation closed the following private placements

Effective December 24, 2007, the Corporation issued 4,985,678 units at a price of $0.95 per unit for gross proceeds of $4,736,394. The 4,985,678 units were issued by way of a brokered and concurrent 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 $1.25 for a period of 12 months ended December 24, 2008, or subject to earlier expiry. The common share purchase warrants were valued at $333,157. The Corporation paid filing fees, finders fees, legal and agent expenses of $478,465, resulting in net cash proceeds of $4,257,929.

Effective January 31, 2008, the Corporation issued 9,641,052 units at a price of $0.95 per unit for gross proceeds of $9,158,999. The 9,641,052 units were issued by way of a brokered and concurrent 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 $1.25 for a period of 12 months ended January 31, 2009, or subject to earlier expiry. The common share purchase warrants were valued at $324,871. The Corporation paid filing fees, finders fees, legal and agent expenses of $611,879, resulting in net cash proceeds of $8,547,120.

In addition, the following convertible securities were exercised:

- In connection with the December 24, 2007 and the January 31, 2008 private placements noted above, all common share purchase warrants ("Warrant") were exercised at a price of $1.25 per Warrant for gross proceeds of $9,141,704.

- 552,603 incentive stock options were exercised during the period ended August 31, 2008, were at prices ranging from $0.40 to $1.76 resulting in gross proceeds of $367,382. Of the incentive stock options that were exercised 392,755 were exercised by a director of the Corporation at prices ranging from $0.45 to $0.50 for gross proceeds of $192,990.

In the prior year 58,316 incentive stock options were exercised at prices ranging from $0.40 to $0.50 for gross proceeds of $26,326. Of the incentive stock options exercised none were exercised by directors of the Corporation.

Liquidity risk associated with financial instruments is generally related to accounts receivable and non-participation amounts due. The liquidity risk associated with accounts receivable is believed to be low based on the Corporation's history and the customers generally serviced. The liquidity risk associated with the non-participation amounts due however, is related to the production with the initial mineral rights of the Roger County venture.

The Corporation did not default nor was it in arrears on any lease interest or principal payments or loan payments.

Capital Resources

Currently, the Corporation has the following commitments for capital expenditures:

Greentree Farm-in

In a prior year, the Corporation entered into a "Farm-in" Agreement with Greentree Gas & Oil Ltd. 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 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.

As at August 31, 2008, the Corporation has paid Greentree $2,168,834 (2007 – $1,823,235) and accrued nil (2007 – $132,828) under the Farm-in Agreement, which has been recorded as an intangible asset on the consolidated balance sheet. The Corporation is obligated to the remaining balance of up to $81,166 (2007 - $293,937) under the Farm-in Agreement. The resulting asset is classified as finite life intangible asset. The acquisition of the fifty (50%) percent working interest in the Taylor County oilfield implies that the Corporation will be responsible for its proportionate share of the oilfield's development costs. To date no costs or development has yet to occur on these leases, but the Corporation is committed, subject to mutual agreement on the development plan, to a maximum of $1.35 million in development cost for the oilfield. The resulting asset will be a component of oilfield property, plant and equipment.

Supplier Purchase Obligations

The Corporation is committed to acquiring inventory items totaling $620,306 from a third party supplier to manufacture the Powerwave systems for pending contracts.

In addition, and in accordance with the Corporation's strategic plan, cash resources will be required for the following:

- To continue to build an inventory of Powerwave and Primawave systems for deployment to external clients.
- To support the marketing efforts with, and to train all licensees, on the implementation of Powerwave and Primawave.
- To design and build additional Powerwave and Primawave systems to allow the Corporation to expand the applications of its technology.

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

As of December 29, 2008, there are no amounts owed in respect of the lines of credit and the Corporation had $21,067,197 of cash on hand. Of the cash on hand, the Corporation has $19,536,767 in Guaranteed Investment Certificates on deposit with a Canadian Chartered Bank.

CONTRACTUAL COMMITMENTS

The Corporation has entered into long-term contractual arrangements from time-to-time for facilities, lines of credit, and the provision of goods and services. The following table presents contractual obligations arising from these arrangements currently in force:

	Payments Due by Period				
As at August 31, 2008	**Total**	**Less than 1 Year**	**1 – 3 Years**	**3 – 5 Years**	**More than 5 Years**
Shareholder loans	$ 211,454	$ 137,985	$ 73,469	$ -	$ -
Capital lease obligations	24,049	24,049	-	-	-
Operating lease obligations	55,884	55,884	-	-	-
Supplier purchase obligations	620,306	620,306	-	-	-
	$ 911,693	$ 838,224	$ 73,469	$ -	$ -

Management is of the opinion that its working capital position of $22,085,948 as at August 31, 2008 is sufficient to cover its current commitments and operations for the forthcoming fiscal year.

The majority of expenditures related to Rogers County oilfield and Greentree Farm-in have been incurred. Management does not expect sizable financial commitments related to these projects in fiscal 2009. All future expenditures and investments in capital assets and projects will be governed by the Corporations working capital position throughout the year.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

i) During the year ended August 31, 2008, directors and a related party to a director of the Corporation exercised 392,755 incentive stock options at prices ranging from $0.45 to $0.55 for aggregate consideration $192,990.

ii) In a prior year, the Corporation entered into the Option Agreement to acquire ninety percent (90%) of the working interest in the production, equipment and mineral leases of known as the Chelsea-Alluwe Waterflood Leases in Rogers County, Oklahoma ("Leases"). Boulder Oil, LLC, a related limited liability company executed the Option Agreement on behalf of the Corporation by paying US$165,000 of the purchase price in exchange for a sixty percent (60%) 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.

During the fiscal year ending August 31, 2006, the Corporation became the Operator of Record. As the Operator, the Corporation is initially responsible for all operating expenses and development costs, which are then charged back to each non-operating partner relative to their working interest percentage. Boulder however, as a non-operating partner, exercised its non-participation right under the Joint Operating Agreement. Under the Joint Operating Agreement, the Corporation will receive all production revenues from production wells 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. As at August 31, 2008, amounts recorded under non-participation amounts due by Boulder totaled $1,085,773 (2007 – $2,040,896). However, as at August 31, 2008 total amounts owed to the Corporation by Boulder totaled $2,142,763 (2007 - $2,040,896). 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. As at August 31, 2008, production revenues from Rogers County production wells that reduced non-participation amounts due by Boulder totaled $188,073 (2007 - $125,936).

During the fiscal year the Corporation decided to cease further development of Rogers County, so in accordance with the CICA recommendations for impairment for unproved properties under full cost accounting guidelines, the Corporation realized a write-down of its Rogers County non-participation amounts due by $1,056,989. The fair value was determined based on estimated present value of future cash flows calculated using internal production estimates and historical average prices per barrel of oil.

The calculated amounts to be written-down, and the resulting carrying value of the Rogers County non-participation amounts due, may not be indicative of the actual values. Additionally, given the volatility in the financial and commodity markets, the Rogers County non-participation amounts due may be materially affected in the near term by further write-downs.

PROPOSED TRANSACTIONS

At the time of the report the Corporation has no proposed transaction.

OUTLOOK

It is believed that the Canadian federal government's elimination of income trusts and the Alberta provincial government's initiative to increase the royalty tax rate on producing oil and gas wells in the province has and will continue to negatively impact the economic activity in the western Canadian energy industry. This uncertainty is also reflected in the Canadian Association of Oil Well Drilling Contractors forecast of a slight decrease in drill activity and drilling rig utilization for calendar 2009, which may impact the Corporations pump and tubing bailer rental business in western Canada.

The lower commodity prices may also force producers to look at alternatives to replacing produced reserves, which may be favorable to the adaptation rate Corporation's Powerwave technology. An alternative to using technology to replace produced reserves however, would be for cash rich producers' acquisition of under-valued production companies.

The constrained capital markets may also present a challenge for companies with large funding requirements and/or short-term borrowing capacity. With limited ability to finance growth, there may be a period of consolidation for smaller and mid-tier production companies. As such the Corporation will have to continue to focus implementing Powerwave on producers whose production exceeds 1,000 bbls/day and monitor client credit.

Additionally, the full impact of the financial crisis in the United States has yet to translate its impact on the energy sectors activity. Although some large scale projects have been placed on hold, the Corporation has yet to see any of its current contracts cancelled or installations delayed due to tightening credit. However, in marketing to some prospective clients in the United States the issue of economic uncertainty, budgetary freezes, and down-sizing of staff has resulted in the decision to implement Powerwave to be deferred until such time price stability returns to the oil futures market.

As economic conditions continue to deteriorate, the risk for greater volatility in the commodity markets remain and there will be a certain amount of uncertainty for the Corporation's efforts to commercialize Powerwave in the oil sector.

As a result of the above, the Corporation will focus its efforts in fiscal 2009 on the following:

i) Installing existing and pending the back order of Powerwave projects;

ii) Expand the use of Powerwave to current clients across the estimated 4,096 injectors in those oilfields currently utilizing Powerwave;

iii) Expand market penetration of Powerwave through a network of third-party distributorships in the California and Gulf Coast Regions;

iv) Expand the certified Primawave service provider program as well as the client base;

v) Develop new users in the pump market beyond the western Canadian market.

Successfully achieving the above efforts will move the Corporation towards positive income and cash flow position. The timing of positive income and cash flow will be dependent upon the installation rate of the existing and future Powerwave contracts, which is beyond the Corporation's control or influence.

RISK AND UNCERTAINTIES

No History of Earnings - The Corporation is an early stage development company and does not yet have a history of earnings, profit or return on investment. There is no assurance that it will earn sufficient revenues to operate profitably or provide a return on investment in the future. The Corporation has no intention for the foreseeable future to pay dividends.

Need For Additional Financing – The Corporation may require additional financing in order to make further investments in the technology or to fund unanticipated demand, to take advantage of unanticipated opportunities, to fund the acquisition of additional oilfield assets, or to fund the Corporation through a slower than anticipated scale-up to profitability. In addition, the Corporation may choose, in an attempt to expedite the achievement of market acceptance and/or to increase the yield from PW, to become engaged in the upfront financing of certain PW jobs in return for a share of the benefits of the process over time. There can be no assurance that additional financing will be available to the Corporation on acceptable terms, or at all. Such financing, if available, might have the effect of diluting the holdings of existing shareholders.

Market Acceptance – PW acceptance will be dependent on the Corporation's consistently demonstrating the benefits of it in the field and under a variety of conditions. Much of the field validation of PW technology has been obtained to date in heavy oil environments with limited results in light oil and groundwater remediation. There can be no assurance that commercial acceptance of the Corporation's products and services will be achieved within a reasonable timeframe and with the financial resources available to the Corporation now or in the future.

Technology Risks – Although the results of research, development, and field installations have demonstrated the PW Process to be viable, there is no guarantee that the Corporation's technology will be successful or be applied successfully in all cases. Although the Corporation believes there will be many applications for its products and services and that the anticipated market will be receptive and expand, these beliefs may prove to be incorrect for a variety of reasons, including competition from other products and the degree of commercial viability of its products. The possibility of a PW project not providing the intended benefits (albeit, believed by Management to be manageable and small), due to unforeseeable factors, could also impede the acceptance of the technology by the market place. Any failure of the PW Process to generate the intended benefits even in isolated circumstances could have an adverse effect on or slow, market acceptance.

Oil Development and Production Risks – Inherent in the development and production of oil reserves are risks, among others, of drilling dry holes, encountering production or drilling difficulties or experiencing high decline rates in producing wells and reservoir performance uncertainties. In addition, a major market risk exposure is in the pricing applicable to oil production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to the Corporation's oil production. Prices for oil production have been and remain volatile and unpredictable.

The corporation uses, if available, independent reserve estimates and commodity oil prices as a basis to determine the future cash flows to perform the ceiling test. If oil prices decline significantly, even for a short period of time, it is possible that a non-cash write-down of oil property and related assets could occur under the full-cost accounting method allowed by the Canadian Institute of Chartered Accountants. Additionally, given the volatility of the commodity markets, the selection of commodity price may not be indicative of the fair values and may affect amounts to be written down and the carrying value.

Rapid Changes / Competition – Other companies have developed, and may be developing, alternative technologies faster than the Corporation. Such companies may develop products that are as, or more, effective than those developed by the Corporation and there can be no assurance that research and development by others will not render the Corporation's technology obsolete or non-competitive.

Volatile Commodity Markets - The marketability of the Corporation's products and services could be affected, directly or indirectly, by significant declines in oil prices. The Corporation believes that there would have to be a fairly major decline before the incremental cost / benefit of PW would be rendered uncompelling.

Government Regulations / Policy – The Corporation may be subject to, and adversely affected from time to time by changes in regulation and policy in the countries it is, or plans to be, operating in and such factors may create delays in project procurement and implementation that may result in the need for additional funding.

International Business – The Corporation undertakes business internationally. Securing of such business introduces currency risks, credit risks, political risks and other risks inherent to conducting business internationally. There can be no assurance that steps taken by management to address these risks will eliminate all adverse affects and, accordingly, the Corporation may suffer losses.

Management of Growth and Key Personnel – The Corporation's anticipated growth and expansion into new geographic areas and, ultimately, new applications for the PW Process, will require additional management expertise and will place increased demands on the Corporation's resources and management with respect to recruiting, training, budgeting, scheduling and technical skills. These demands will require the addition of new management and technical personnel and the development of additional expertise by existing personnel. A shortage of, or failure to retain, such personnel or develop or acquire the expertise could adversely affect prospects for the Corporation's success.

Patents – The Corporation's success will depend, in part, on its ability to enforce and defend its patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Corporation's rights. The Corporation has received five patents, and is actively pursuing applications for broader international patent protection. Furthermore, there can be no assurance that others will not independently develop similar products, which duplicate any of the Corporation's technology or products or, if patents are issued to the Corporation, design around those patented products developed by the Corporation. The Corporation will however, vigorously defend its patents and any intellectual property.

Conflicts of Interest - Directors and officers of the Corporation may serve as directors of, or have shareholdings in, other reporting or private entities. To the extent that such other companies or entities may participate in ventures in which the Corporation may participate, the directors or officers of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The laws of Canada, applicable to the Corporation, provide that the directors of the Corporation must act honestly, in good faith and in the best interests of the Corporation in resolving any conflicts that may arise, and all directors of the Corporation are aware of these fiduciary responsibilities. In determining whether or not the Corporation will participate in a particular venture, the directors will primarily consider the degree of risk to which the Corporation may be exposed, its financial position at that time and, depending on the magnitude of the venture and the absence of any disinterested directors, whether or not to subject any ventures in question to the shareholders of the Corporation for their approval.

Reliance on Third Parties and Future Collaboration – The Corporation has, and is anticipated to enter into, various arrangements with collaborators, licensors, licensees and others for the research, development, testing, manufacturing and marketing of its products and services. There can be no assurance that the Corporation will be able to establish such collaborations on favorable terms, if at all, or that its current or future collaborative arrangements will be successful.

Product Liability, Warranties and Uninsured Risks – The sale of products and services may expose the Corporation to warranty costs or other potential liability resulting from such use. Although product liability insurance is currently maintained, the obligation to pay a claim in excess of insurance could have a material adverse effect on the business, financial condition and future prospects of the Corporation.

Environmental Matters – Currently the Corporation supplies and licenses oilfield and environmental remediation products and services therefore, there is the possibility that it will be subject to federal, provincial and local laws and regulations regarding the environment. Although management believes its safety procedures are appropriate, the risk of offence or liability cannot be completely eliminated. Moreover, there can be no assurance that the Corporation will not be required to incur significant costs to comply with laws and regulations in the future. The acquisition of mineral rights however, will expose the Corporation to those environmental, plugging and abandonment liabilities associated with any other oil producer.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include estimates that reflect management's estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses for the period reported. Estimates are based upon historical experience and various other assumptions that reflect management's best judgments. These estimates are evaluated periodically and form the basis for making judgments regarding the carrying values of assets and liabilities and the reported amount of revenue and expenses. Actual results could differ from these estimates.

The significant accounting policies that are believed to be the most critical in fully understanding and evaluating the reported financial results are described below. Significant accounting policies are disclosed in Note 2 of the notes to the audited consolidated financial statements.

Revenue recognition and unearned revenue

Revenue is recognized when products or services have been delivered to and accepted by third party customers. Amounts received from customers in advance of products or services being provided are recorded as unearned revenue when received. Specific revenue recognition policies are as follows:

i) Revenue from oilfield services is recognized when the underlying services are provided. Revenue from the sale of rental tools is recognized when the equipment is delivered and accepted by third party customers.

ii) Licensing royalties or technology fees are recognized on a percentage of completion bases as the underlying contracts are for a set time period. Percentage of completion is determined by relating the amount of time a system has been operating to the total contracted amount of time the system will be operating. Any project loss is recognized immediately.

iii) Revenue associated with the production and sale of crude oil where the Corporation has working interest in oilfields is recognized in same period as when the title passes to third parties.

Oilfield Property, Plant and Equipment

In connection with the mineral rights owned by the Corporation, the Corporation has capitalized and included in its proportionate share operating expenses and oil well development costs. As the operator of the Rogers County oilfield, the Corporation is responsible for 100% of all operating and development costs, which are then reduced by its working partners' proportionate share. The working partners' proportionate amounts are then recorded as non-participation amounts due and an offset to operating expenses and oil well development costs.

Investments in unproved mineral rights and development expenditures are not amortized until proved reserves associated with the project can be determined or until impairment occurs. The process of estimating reserves is complex and requires judgment based on available geological, engineering and economic data. Until there is sufficient, reliable, production data for review by an independent engineering firm, the Corporation cannot obtain an independent reserves report denoting proved reserves as such the property remains classified as unproven. No depletion or depreciation of the oilfield mineral rights has been recorded at August 31, 2008.

However, during the fiscal year the Corporation decided to cease further development of Rogers County, so in accordance with the CICA recommendations for impairment for unproved properties under full cost accounting guidelines, the Corporation realized a write-down of its Rogers County oilfield property, plant and equipment and non-participation amounts due by $2,095,242. The fair value was determined based on estimated present value of future cash flows calculated using: an economic life of 31 years, cumulative production of 41,881 barrels of oil, the Corporation's historical commodity price of $97.96 per barrel of oil, and a 4.02%, discount rate. The calculated amounts to be written down, and the resulting carrying value of the Rogers County assets, may not be indicative of the actual values. Additionally, given the volatility in the financial and commodity markets, the Rogers County assets may be subject to future write-downs.

Despite the decision to write-down the Rogers County assets, management is of the belief that assets provided strategic value to the Corporation in that it lead directly to the commercial contracts that the Corporation now enjoys.

Asset Retirement Obligations

The Corporation recognizes the fair value of estimated asset retirement obligations on the consolidated balance sheet when a reasonable estimate of fair value can be made. Asset retirement obligations include those for which a company faces a legal obligation to retire tangible long-lived assets such as well sites, pipeline and facilities. Actual expenditures incurred are charged against the accumulated obligations.

The asset retirement cost, equal to the estimated fair value of the retirement obligations, is capitalized as part of the cost of the related long-lived assets. Asset retirement costs are amortized using the unit-of-production methods and are to be included in the depletion and depreciation in the consolidated statement of loss and deficit. Unit-of-production requires that proved reserves associated be determined, as such no amortization of the asset retirement cost has been recorded at August 31, 2008.

Intangible Assets

In connection with the "Farm-in" Agreement the Corporation entered into with Greentree Gas and Oil Ltd. to develop Greentree's Rodney South oilfield lease, the Corporation has capitalized its investment in the net over-riding royalty and the associated installation costs associated with the supply of its Powerwave technology.

The resulting finite life intangible asset is amortized based the characteristics of the underlying asset that being an oilfield. The Corporation thus, amortizes the finite life intangible asset based on the independent reserve report provided by Greentree.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies and future accounting changes not yet applied are disclosed in the notes to the audited consolidated financial statement for the year ending August 31, 2008.

International Financial Reporting Standards

On April 24, 2006, the Accounting Standards Board ("AcSB") of Canada announced its plan to adopt the International Financial Reporting Standards ("IFRS"), previously known as International Accounting Standards, replacing Canadian General Accepted Accounting Principals ("GAAP"), with adoption on January 1, 2011. IFRS requires the application of IFRS retrospectively except for a small number of specific exceptions and exemptions provided for entities adopting IFRS for the first time. In order to reflect the cumulative impact from the retrospective adjustments required to reflect the difference between GAAP and IFRS, the Corporation will be required to prepare an opening IFRS balance sheet with all cumulative adjustments for the year end August 31, 2010. This opening IFRS balance sheet will need to be audited since it will be the opening position of Wavefront when it reports under the converged IFRS standards. The Corporations first financial reporting in accordance with IFRS will be the its first quarter ending November 30, 2011, with the first set of audited, IFRS compliant, consolidated financial statements required for the Wavefront's year ended August 31, 2012.

IFRS will not only impact the presentation and disclosure of item in the financial statements of the Corporation but also the calculation of future profits and the measurement of balance sheet items. In addition, there are a number of wider business issues which will need consideration and careful planning including managing shareholders' expectations, employee training, information systems and internal controls.

Given the level of information gathering required as part of the process, during the fiscal year the Corporation worked with Deloitte & Touche LLP and has substantially completed the awareness stage of the project scoping and planning of an overall IFRS implementation plan. It is expected that the Corporation will continue to work with Deloitte & Touche to complete the project scoping and planning phase, and commence a comprehensive IFRS conversion phase.

FINANCIAL AND OTHER INSTRUMENTS

The Corporation's significant financial and other instruments consist of accounts receivable, accounts payable and accrued liabilities and interest bearing obligations such as its operating line, obligations under capital lease, amounts due to shareholders, asset retirement obligations and other amounts that will result in future cash outlays.

Credit Risk

Credit risk arises from the potential that counterparty will fail to perform its obligations. The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable and non-participation amounts due. Concentrations of credit risk with respect to accounts receivable are limited as the majority of transactions are with large publicly traded corporations or government organizations dispersed across geographic areas. Credit risk, with respect to accounts receivables in Canada and the United States, is also limited due to the Corporation's credit evaluation and cash management processes.

Concentrations of credit risk with respect to non-participation amounts due are related to the original mineral rights for the Rogers County Venture and are based on production of that venture.

Foreign currency risk

The Corporation is exposed to currency risks as a result of its export to foreign jurisdictions of goods produced in Canada or services provided from Canada, and the operational expenses and production revenue of the Rogers County venture. These risks are partially covered by purchases of goods and services in the foreign currency. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

Fair value of financial instruments

The carrying value of the Corporation's financial instruments approximates their fair value. The estimated fair value approximates the amount for which the financial instruments could currently be exchanged in an arm-length transaction between willing parties who are under no compulsion to act. Certain financial instruments lack an available trading market; therefore, fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instrument.

SUPPLEMENTARY INFORMATION

Selected Annual Information

The following is selected annual consolidated financial information from the Corporation's audited financial statements for each of the three most recently completed years ended August 31:

	2008	2007	2006
Revenues	**$ 1,752,562**	$ 1,537,278	$ 763,537
Net loss	**(6,945,179)**	(4,349,901)	(3,029,897)
Basic and diluted loss per share	**$ (0.11)**	$ (0.09)	$ (0.09)
Weighted average number of common shares outstanding	**62,035,011**	47,937,111	34,940,952
Working capital	**$ 22,085,948**	$ 4,981,588	$ 13,206,359
Total assets	**31,928,727**	16,519,754	18,704,396
Total long term financial liabilities	**248,031**	376,177	62,668
Total liabilities	**$ 1,478,624**	$ 1,833,749	$ 1,635,174
Shares outstanding at August 31	**71,064,808**	48,572,112	47,913,796

(1) This financial data is prepared in accordance with Canadian GAAP

(2) In Canadian dollars, except share data

(3) Prior years figures have reclassidied to conform to current presentation

Summary of Quarterly Results

	4th Qtr Aug 31 '08	3rd Qtr May 31 '08	2nd Qtr Feb 28 ' 08	1st Qtr Nov 30 '07	Annual
Fiscal 2008					
Revenue	$ 441,449	$ 684,009	$ 342,286	$ 284,818	$ 1,752,562
Net Loss	$ (3,603,596)	$ (1,195,773)	$ (1,127,539)	$ (1,018,271)	$ (6,945,179)
Basic and diluted loss per share	$ (0.052)	$ (0.016)	$ (0.021)	$ (0.021)	$ (0.110)
Common shares outstanding					
Weighted average shares outstanding	62,035,011	60,004,288	51,920,405	48,572,112	62,035,011
Diluted shares outstanding	62,666,627	60,712,744	52,772,987	49,374,675	62,666,627

		4th Qtr Aug 31 '07		3rd Qtr May 31 '07		2nd Qtr Feb 28 ' 07		1st Qtr Nov 30 '06		Annual
Fiscal 2007										
Revenue	$	467,863	$	711,538	$	169,020	$	188,857	$	1,537,278
Net Loss	$	(1,234,352)	$	(1,042,086)	$	(1,025,658)	$	(1,047,805)	$	(4,349,901)
Basic and diluted loss per share	$	(0.028)	$	(0.020)	$	(0.020)	$	(0.022)	$	(0.090)
Common shares outstanding										
Weighted average shares outstanding		47,937,111		47,927,816		47,918,911		47,913,796		47,937,111
Diluted shares outstanding		48,713,889		48,707,271		48,529,192		48,487,507		48,713,889

(1) This Financial data has been prepared in accordance with Canadian GAAP

(2) All amounts in Canadian dollars except share data

(3) Priror period loss from operations have reclassidied to conform to current presentation.

FOURTH QUARTER RESULTS FOR THREE MONTHS ENDED AUGUST 31, 2008

For the three months ended August 31, 2008, the Corporation continued its focus on the commercialization of Powerwave, its core strategic value proposition, and the installation of Powerwave contracts recently acquired. The Corporation also focused on the implementation of the high profile Primawave project with a multination oil company.

During the fourth quarter the Corporation built a testing facility for an in-house Powerwave and Primawave quality assurance process.

Revenues

Revenues for the three months ended August 31, 2008 were $441,449, a decrease of $26,414 over the comparative period in 2007 that recognized revenues of $467,863. During the three months ended August 31, 2008 revenues from service and royalties decreased by $99,324, but were partially offset by interest and other revenue, which increased by $44,442. It is believed that the decrease service and royalty revenue for the three months is due to the decrease activity in the energy sector in western Canada and delays experienced in the installation of Powerwave systems.

Direct Costs

Direct expenses for the three month period end August 31, 2008 were $376,776 primarily relate to those direct costs associated with overriding royalty Powerwave projects, i.e., projects where the Corporation receives a percentage of net or gross production revenue and direct wages allocated to specific jobs. Since production can fluctuate, the gross margin on these projects can also fluctuate from positive to negative; however, the expected long-term rate of return has been negotiated to off-set such risk.

Other Operating Expenses

Other operating expense for the three months end August 31, 2008 amounted to $1,469,848, compared to $1,062,944 in 2007. The increase in operating expenses of $406,904 was principally a result of the following changes:

i) An increase in "research and development" expenses by $267,778 to $292,577, which relates to the re-classed of costs to research and development, and other costs associated with the Powerwave and Primawave tool research and development

ii) General and administrative expenses increased by $29,338 to $986,697, and relates to the following:

- A decrease in "professional fees" of $258,692 to $193,320. The decrease relates to the periods including fee association with the Corporation's bid to acquire ICI Solutions Ltd. (which the Corporation withdrew its offer to purchase), securities and corporate lawyer fees.

- An increase in "wages, employee benefits, and contract employees" expense of $242,797, which can be attributed to higher wage rates and more staff employed for the quarter.

iii) Additional other operating expense variances amounting to $18,825, relate to the following:

- An increase in "listing and public company fee" of $22,783 to $35,366, which relates to having public relations consultant to help assist the Corporation in developing an overall image and to increase the Corporation's shareholder base.

- An increase in "amortization, depreciation, depletion and accretion" expense of $29,173 to $90,173, which relates to the corresponding increased number of Powerwave and Primawave systems and the depletion of a net over-riding royalty agreement with Greentree.

- A decrease in "selling, marketing and travel" expense of $33,131 to $64,659, which relates to decreased business activity and delays, related to the Powerwave projects in the forth quarter.

iv) During the fiscal year the Corporation decided to cease further development of Rogers County, so in accordance with the CICA recommendations for impairment for unproved properties under full cost accounting guidelines, the Corporation realized a non-cash write-down of its Rogers County oilfield property, plant and equipment and non-participation amounts due by $2,095,242 (see Assets and Liabilities, and Transactions with Related Parties for further discussion).

Net Loss and Loss Per Share

The net loss for the three months ended August 31, 2008 was $3,603,596 or $0.052 per share, compared to $1,234,352 or $0.028 for the comparative period in 2007. The increase in losses principally pertain the write-down of the Rogers County oilfield property, plant and equipment and non participation amounts due of $1,984,981 in the fourth quarter. Net loss for the three months ended August 31, 2008 prior to the write-down of Rogers County is $1,621,615.

DESCRIPTION OF SHARE CAPITAL

As at August 31, 2008, the Corporation's share capital consists of the following:

Common shares		
Authorized:		unlimited
Issued and outstanding:		
Free trading	70,464,808	
Escrow shares	600,000	
		71,064,808
Convertible into common shares		
Share purchase warrants	-	
Incentive stock options	3,015,170	
		3,015,170
Fully diluted share capital:		74,079,978

The above noted escrow shares are subject a value escrow agreement is related to the Top Gun Acquisition. 240,000 of the escrow shares have been released as at August 31, 2008.

Market for Securities

The common shares of Wavefront Energy and Environmental Services Inc. are listed on the TSX Venture Exchange under the symbol of WEE.

The Corporation maintains a Stock Option Plan under which it may grant options for up to 10,711,558 shares of the Corporation at an exercise price no less than the market price of the Corporation's share price at the date of grant. All stock options issued under the Stock Option Plan vest equally, in three month intervals, over eighteen months.

Options granted during the period

Date of Grant	Number of Shares	Optionee	Exercise Price		Expiry Date
February 14, 2008	50,000	Consultant	$	1.40	February 14, 2013
February 22, 2008	210,000	Directors	$	1.65	February 22, 2013
March 4, 2008	200,000	Employee	$	2.05	March 4, 2013
June 27, 2008	160,000	Employees	$	2.07	June 27, 2013
	620,000				

Options outstanding

Date Granted	Expiry Date	Number of incentive stock options	Price per share
September 30, 2003	September 30, 2008	435,000	$ 0.50
November 30, 2003	November 30, 2008	50,000	$ 0.55
January 15, 2004	January 15, 2009	50,000	$ 0.50
April 30, 2004	April 30, 2009	210,000	$ 0.44
October 5, 2004	October 5, 2009	265,000	$ 0.45
September 1, 2005	September 1, 2010	240,000	$ 0.40
January 11, 2006	January 11, 2011	725,000	$ 2.95
May 15, 2006	May 15, 2011	200,000	$ 2.57
August 1, 2006	August 1, 2011	100,000	$ 1.76
March 6, 2007	March 6, 2012	120,170	$ 0.97
February 14, 2008	February 14, 2013	50,000	$ 1.40
February 22, 2008	February 22, 2013	210,000	$ 1.65
March 4, 2008	March 4, 2013	200,000	$ 2.05
June 27, 2008	June 27, 2013	160,000	$ 2.90
		3,015,170	

Subsequent to August 31, 2008, the 435,000 stock options expiring September 30, 2008 and 50,000 stock options expiring November 30, 2008 were exercised.

Warrants outstanding

As at August 31, 2008 and 2007, no common share purchase warrants were outstanding.

CONTROLS AND PROCEDURES

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and that (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the audited financial statements.

In contract to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), the Corporation utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in MI 52-109. In particular, the certifying officers filing Venture Issuer Basic Certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The Corporation's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

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 Powerwave and Primawave (formerly known as Pressure Pulsing Technology) technologies, 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.

ADDITIONAL INFORMATION

Additional information regarding Wavefront Energy and Environmental Services Inc. can be found on System for the Electronic Document Analysis and Retrieval ("SEDAR" at www.sedar.com).