

Unaudited Consolidated Financial Statements of

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

For the First Quarter ended November 30, 2007 and 2006

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WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Balance Sheets

	As at November 30, 2007 \$ (Unaudited)	As at August 31, 2007 \$ (Audited – note 2)
Assets		
Current assets		
Cash and cash equivalents	4,231,147	5,430,949
Accounts receivable	415,649	902,294
Prepaid expenses	111,472	24,971
Inventory	60,751	80,946
	<hr/>	<hr/>
	4,819,019	6,439,160
Deposits	58,848	61,806
Property, plant and equipment (notes 6 and 13)	6,467,940	6,384,578
Intangible assets (note 7)	2,535,489	2,213,209
Goodwill (note 5)	1,421,001	1,421,001
	<hr/>	<hr/>
	15,302,297	16,519,754
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	956,289	1,275,854
Current portion of amounts due to shareholders	151,637	151,637
Current portion of obligations under capital leases	23,770	30,081
	<hr/>	<hr/>
	1,131,696	1,457,572
Due to shareholders	227,456	227,456
Obligations under capital leases	70,964	73,831
Asset retirement obligation (note 8)	145,118	74,890
	<hr/>	<hr/>
	1,537,325	1,833,749
Shareholders' Equity		
Share capital (note 10)	26,911,271	26,911,271
Contributed surplus	2,439,307	2,342,069
Deficit	(15,585,606)	(14,567,335)
	<hr/>	<hr/>
	13,764,972	14,686,005
	<hr/>	<hr/>
	15,302,297	16,519,754

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Statements of Loss, Comprehensive Loss and Deficit (Unaudited)

	Three Month Period Ended November 30,	
	2007	2006
	\$	\$
Revenue		
Service revenue and royalties	201,285	36,705
Production revenue and operator fees, net of taxes and royalties	30,630	38,602
Interest and other	52,903	113,550
	<u>284,818</u>	<u>188,857</u>
Expenses		
Direct costs	143,273	24,885
General and administrative expenses	655,785	571,589
Selling, marketing and travel	183,720	125,556
Amortization, depreciation, depletion and accretion expenses	110,211	36,346
Listing and public company fees	51,461	21,019
Research and development	144,379	14,911
	<u>1,288,829</u>	<u>794,306</u>
Loss before the under noted items	(1,004,011)	(605,449)
Stock-based compensation	(97,238)	(391,213)
Foreign exchange gain (loss)	84,229	(50,799)
Interest expense	(1,251)	(344)
	<u>(1,018,271)</u>	<u>(1,047,805)</u>
Net loss and comprehensive loss for the period	(1,018,271)	(1,047,805)
Deficit – Beginning of period	(14,567,335)	(10,217,434)
Deficit – End of period	(15,585,606)	(11,265,239)
Loss per common share (note 11)		
Basic and diluted	<u>(0.02)</u>	<u>(0.02)</u>

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Statements of Cash Flows (Unaudited)

	Three Month Period Ended November 30,	
	2007	2006
	\$	\$
Cash provided from (used in)		
Operating activities		
Net loss for the year	(1,018,271)	(1,047,805)
Items not affecting cash		
Amortization, depreciation, depletion and accretion expenses	110,211	36,346
Stock-based compensation (note 10)	97,238	391,213
	<u>(810,822)</u>	<u>(620,246)</u>
Net change in non-cash working capital items	<u>158,358</u>	<u>(602,791)</u>
	<u>(652,464)</u>	<u>(1,223,037)</u>
Financing activities		
Repayment of amounts due to shareholder	(37,909)	-
Repayment of obligations under capital leases	(9,178)	(1,878)
	<u>(47,087)</u>	<u>(1,878)</u>
Investing activities		
Purchase of property, plant and equipment	(276,902)	(535,540)
Intangible costs	(223,349)	(510,340)
	<u>(500,251)</u>	<u>(1,045,880)</u>
Decrease in cash and cash equivalents	(1,199,802)	(2,270,795)
Cash and cash equivalents – Beginning of period	5,430,949	14,411,315
Cash and cash equivalents – End of period	4,231,147	12,140,520
Supplementary information		
Interest paid	<u>9,190</u>	<u>1,199</u>

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 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 (PowerwaveTM), and the optimization of groundwater remediation (PrimawaveTM) approaches. In the oil sector the Corporation's strategy is to leverage its intellectual property through licenses of the technology to service providers, provide site licenses to oil producers and to obtain over-riding royalty payments in-kind for site licenses. 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, 2007 except for the new accounting pronouncements adopted during the period as described in note 3. Omitted from these statements are certain information and note disclosures 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, 2007.

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

3. CHANGE IN ACCOUNTING POLICIES

Effective September 1, 2007 the Corporation adopted the recommendations of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments – Recognition and Measurement, Section 3865, Hedges, Section 1530, Comprehensive Income, Section 3251, Equity and Section 3861, Financial Instruments – Disclosure and Presentation. The application of these new standards did not have a significant effect on the Corporation's financial position or results of operations in the current period presented.

Financial assets and financial liabilities

Prior to the adoption of the new standards, all of the Corporation's financial assets and financial liabilities were accounted for on an accrual basis at their carrying amount, net of any adjustments for other-than temporary impairment.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. An entity may also designate any financial instrument upon initial recognition as held-for-trading. These instruments are measured at fair value with changes in fair value recognized on the statement of operations.

Available-for-sale

Financial assets, classified as available-for-sale will be measured at fair value with changes in fair value recorded in other comprehensive income. The fair value of a financial instrument on initial recognition is normally the transaction price. Subsequent to initial recognition, fair values for financial assets are determined by bid prices quoted in active markets. Securities that are classified as available-for-sale and do not have a readily available market value are recorded at cost. Available-for-sale securities are written down to fair value through other comprehensive income whenever it is necessary to reflect other-than-temporary impairment. Gains and losses realized on disposal of available-for-sale securities, which are calculated on an average cost basis, are recognized in other income (expenses).

Held-to-maturity

Securities that have a fixed maturity date, where the Corporation intends and has the ability to hold to maturity, are classified as held-to-maturity and measured at amortized cost using the effective interest rate method.

Loans, receivables and other financial liabilities

Loans, receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Corporation has made the following classifications:

	<u>Classification</u>	<u>Measurement</u>
<u>Financial assets</u>		
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans, receivables and other financial liabilities	Amortized cost
<u>Financial liabilities</u>		
Accounts payable and accrued liabilities	Loans, receivables and other financial liabilities	Amortized cost
Due to shareholders	Loans, receivables and other financial liabilities	Amortized cost
Asset retirement obligation	Loans, receivables and other financial liabilities	Amortized cost
Obligations under capital lease	Loans, receivables and other financial liabilities	Amortized cost

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

Derivatives and hedge accounting

Embedded derivatives

Derivatives may be embedded in other financial instruments (host instruments). Prior to the adoption of the new standards, such embedded derivatives were not accounted for separately from the host instrument. Under the new standards, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument and the terms of the embedded derivatives are measured at fair value with subsequent changes recognized in income. In accordance with CICA Handbook Section 3855, the Corporation conducted a search for embedded derivatives in all contractual arrangements, and did not identify any embedded features that require separate presentation from the related host contract.

Hedge accounting

Under the previous standards, derivatives that met the requirements for hedge accounting were generally accounted for on an accrual basis. Under the new standards, all derivatives are recorded at fair value and are recorded in prepaid expenses and other assets or accounts payable and accrued liabilities. In accordance with CICA Handbook Section 3865, the Corporation conducted a search for hedges, and did not identify any hedging items.

Comprehensive income

Comprehensive income (loss) is the change in shareholders' equity, which results from transactions and events from sources other than the Corporation's shareholders. As at the adoption date, and for the three month period ended November 30, 2007, the Corporation does not have any items that should be presented as other comprehensive income (loss). Therefore, the net loss for the period is equivalent to the comprehensive loss for the period.

4. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

Capital disclosures

In November 2006, the CICA issued the new handbook Section 1535, "Capital Disclosures," effective for annual and interim periods beginning on or after October 1, 2007. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies, and processes for managing capital. This new standard is not expected to have a material effect on our financial position or results of operations. This standard applies to interim and annual financial statements beginning September 1, 2008.

International financial reporting standards

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards (IFRS) over a transition period that is expected to end in 2011. The impact of the transition to IFRS on our consolidated financial statements has not yet been determined.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

5. 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 \$542,250 cash, issued 600,000 common shares in the capital of the Corporation valued at \$1.00 per share based on the average quoted market price at the date of the Acquisition and repaid notes payable in the amount of \$57,750.

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:

	\$
Current assets	413,330
Non-current assets	<u>132,528</u>
Total assets acquired	<u>545,858</u>
Current liabilities	213,583
Non-current liabilities, amounts due to shareholders and bank indebtedness	<u>553,276</u>
Total liabilities assumed	<u>766,859</u>
Net liabilities assumed	(221,001)
Goodwill	<u>1,421,001</u>
Purchase price	<u>1,200,000</u>

The above purchase price allocation is based upon a preliminary evaluation of the fair value of the assets and liabilities acquired and are subject to adjustment pending a final purchase price allocation.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

6. PROPERTY, PLANT and EQUIPMENT

	As at November 30, 2007			As at August 31, 2007
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Oilfield property, plant and equipment	\$ 2,240,818	\$ -	\$ 2,240,818	\$ 1,966,213
Non-participation amounts due	1,967,322	-	1,967,322	2,040,896
Equipment	2,233,234	304,994	1,928,240	2,032,893
Computer equipment	208,126	114,821	93,305	100,690
Computer software	204,733	105,572	99,161	97,572
Automotive equipment	184,595	74,730	109,865	115,647
Office furniture	68,821	39,592	29,229	30,667
	<u>\$ 7,107,649</u>	<u>\$ 639,709</u>	<u>\$ 6,467,940</u>	<u>\$ 6,384,578</u>

Property, plant and equipment includes oilfield property, plant and equipment of \$2,240,818 related to improved properties and therefore not subject to depreciation and depletion, and equipment under construction of \$1,117,652 (August 31, 2007 - \$1,710,408), which is not being depreciated. Property, plant and equipment also include assets under capital leases with a cost of \$168,140 (August 31, 2007 - \$168,140) and a net book value of \$104,367 (August 31, 2007 - \$109,860).

Depreciation expense for the period ended November 30, 2007 was \$87,134 (November 30, 2006 \$31,773), including depreciation relating to equipment under capital leases of \$12,207 (2006 - \$42). No depletion or depreciation of oilfield property plant and equipment has been recorded as at November 30, 2007 and 2006 as the oilfield property remains classified as an unproven property.

Oilfield property, plant and equipment

Rogers County

Included in oilfield property, plant and equipment is the Corporation's proportionate share of oil well development costs totaling \$2,060,950 (August 31, 2007 - \$1,786,345) related to the Rogers County venture. During a prior fiscal year, the Corporation became the operator of record, and Boulder, as a non-operating partner, exercised its non-participation right in the Joint Operating Agreement.

In fiscal 2006, the Corporation became the operator of record of the Rogers County venture, and Boulder Oil, LLC ("Boulder"), as a non-operating partner and related party, exercised its non-participation rights in the Joint Operating Agreement. As at November 30, 2007, amounts due to the Corporation by Boulder totaled \$1,967,322 (August 31, 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 as the Corporation is repaid 200% of the costs incurred, after which, production revenues will revert back to the party's original working interest proportions.

No depletion or depreciation of the non-participation amounts has been recorded as the underlying asset remains classified as an unproven property.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

The Corporation has recognized production revenue of \$23,309 (November 30, 2006 – \$6,395) related to the Rogers County venture. Production revenue in the amount of \$38,406 originally attributable to Boulder has been recorded against the cost of the non-participation amounts due.

Young County

During the year ended August 31, 2007, the Corporation acquired 100% of the working interest in certain mineral leases in Young County, Texas for total consideration of \$179,868. No costs were incurred on these leases for the period ended November 30, 2007.

7. INTANGIBLE ASSETS

	Three Months Ended November 30, 2007			Year Ended August 31, 2006
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Royalty rights	\$ 2,213,039	\$ 8,098	\$ 2,204,941	\$ 2,009,964
Fully-paid up license	106,990	10,494	96,496	98,164
Patents	289,513	56,493	233,020	103,970
Incorporation costs	3,451	2,419	1,032	1,111
	\$ 2,612,993	\$ 77,504	\$ 2,535,489	\$ 2,213,209

Amortization expense for the period ended November 30, 2007 totaled \$9,592 (November 30, 2006 - \$1,969).

Greentree Gas and Oil Ltd. royalty rights

In a prior year, the Corporation entered into a "Farm-in" Agreement with Greentree Gas & Oil Ltd. to develop Greentree's Rodney South oil field 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 respectively.

As at November 30, 2007, the Corporation has paid Greentree \$2,109,894 (August 31, 2007 – \$1,823,235) and accrued \$42,766 (August 31, 2007 – \$132,828) under the Farm-in Agreement. The Corporation is obligated to the remaining balance of up to \$97,340 under the Farm-in Agreement. The resulting asset is classified as finite life intangible asset.

No amortization expense of Farm-in amounts has been recorded to date as the underlying oilfield property remains under development.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

During the year ended August 31, 2006, the Corporation also entered into a “Net Over-riding Royalty” Agreement on a single gas well with Greentree. As at November 30, 2007, the Corporation has recorded an intangible asset of \$60,379 (August 31, 2007 - \$60,379) on its balance sheet. The resulting asset is classified as a finite life intangible asset and is amortized based on the underlying asset. Amortization expense for November 30, 2007 is \$1,620, (November 30, 2006 – nil).

8. ASSET RETIREMENT OBLIGATION

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

	Three Months Ended November 30, 2007	Year Ended August 30, 2007
	\$	\$
Asset retirement obligations – Beginning of period	74,890	62,668
Liabilities incurred	58,075	5,486
Liabilities settled	-	-
Accretion expense	13,484	7,035
Other	(1,331)	(299)
	<hr/>	<hr/>
Asset retirement obligations – End of period	145,118	74,890

The total undiscounted amount of estimated cash flows required to settle the obligation is \$425,157 (2006 – \$367,748), 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 one to twenty-nine years in the future and will be funded from general corporate resources at the time of the retirement and removal.

9. COMMITMENTS

a) Operating leases

The Corporation is committed under various operating leases for premises, vehicles and contracts. The minimum amounts payable in each of the next two years and in total are as follows:

	\$
2008	103,235
2009	55,884
	<hr/>
	159,119

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

b) Greentree Gas & Oil Farm-in Agreement

The Corporation obligation related to the Greentree Farm-in Agreement (note 7) is the remaining balance of up to \$97,340.

c) The Corporation is committed to the purchase of inventory in the amount of \$293,613 as at November 30, 2007 from a third party supplier.

10. SHARE CAPITAL

The Corporation's authorized and issued share capital as at November 30, 2007 and August 31, 2007 is as follows:

Authorized

Unlimited common shares without par value

Issued common shares

	Three Months Ended November 30, 2007		Year Ended August 31, 2007	
	Number #	Stated capital \$	Number #	Stated capital \$
Balance – Beginning of year	48,572,112	26,911,271	47,913,796	26,279,824
Shares issued in Top Gun acquisition ⁽¹⁾	-	-	600,000	600,000
Stock options exercised ⁽²⁾	-	-	58,316	31,447
Balance – End of year	48,572,112	26,911,271	48,572,112	26,911,271

1. In connection with the Acquisition of Top Gun (note 5), the Corporation issued 600,000 common shares at a deemed value of \$600,000.
2. 58,316 stock options exercised during the comparative year ended August 31, 2007 were exercised at prices ranging from \$0.40 to \$0.50.
3. As at November 30, 2007 and August 31, 2007, the Corporation had no share purchase warrants outstanding.
4. Subsequent to reporting period, the Corporation closed a private placement of 4,985,678 units ("Units") of the Corporation at a price of \$0.95 per Unit for gross proceeds of \$4,736,394. Net proceeds from the private placement are estimated to approximate \$4,259,754 (note 9).

Stock-based compensation plan

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

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

A summary of the status of the Corporation's stock option plan as at November 30, 2007 and August 31, 2007, and the changes ended on those dates are presented below:

Stock options	Three Months Ended November 30, 2007		Year Ended August 31, 2007	
	Number #	Weighted average exercise price \$	Number #	Weighted average exercise price \$
Outstanding – Beginning of period	3,017,773	1.29	2,941,089	1.29
Granted	-		205,000	0.97
Exercised	-		(58,316)	0.45
Cancelled ^(a)	(50,000)	0.97	(70,000)	0.56
Outstanding – End of period	2,967,773	1.30	3,017,773	1.30

- a) During the three months ended November 30, 2007, 50,000 employee incentive stock options, with an exercise price of \$0.97 were cancelled unexercised.

Exercise price \$	Options outstanding		Options exercisable	
	Number outstanding #	Weighted average remaining contractual life in years	Number outstanding #	Weighted average remaining contractual life in years
2.95	725,000	3.6	604,167	3.6
2.57	200,000	4.0	133,333	4.0
1.76	175,000	4.2	87,500	4.2
0.97	135,000	4.8	45,000	4.8
0.55	125,000	1.5	125,000	1.5
0.50	660,000	1.4	660,000	1.4
0.45	407,755	2.4	407,755	2.4
0.44	210,000	1.8	210,000	1.8
0.40	330,018	3.2	330,018	3.2
	2,967,773	3.0	2,602,773	3.0

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

During the periods ended November 30, 2007 and 2006 no incentive stock options were granted. During the three month ended November 30, 2007, the Corporation incurred \$97,238 (November 30, 2006 - \$391,213) in compensation expense relating to outstanding employee stock options.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

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

Escrow shares

In connection with the business acquisition (note 5) that closed on March 1, 2007, 600,000 common shares, subject to a value escrow agreement, were issued as part of the consideration. The balance of all common shares held in escrow as at November 30, 2007, was 450,000 (August 31, 2007 – 540,000).

11. LOSS PER SHARE

The Corporation uses the treasury stock method to calculate diluted loss per share. Under the treasury stock method, the numerator remains unchanged from the basic loss 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 48,572,112 (November 30, 2006 - 47,913,796).

Diluted loss per share is computed by giving effect to the potential dilution that would occur if stock options and common share purchase warrants were exercised. The treasury stock method assumes that the proceeds received from the exercise of the "in-the-money" stock options and common share purchase warrants are used to repurchase common shares at the average market price for the period ended November 30, 2007.

In determining diluted loss per share, the weighted average number of shares outstanding was increased by 802,563 (2006 – 573,711) for stock options eligible for exercise where the average market price of the common shares for the year exceeds the exercise price. The diluted weighted average number of shares outstanding was 49,374,675 (2006 – 48,847,507). As the result was anti-dilutive in both fiscal 2007 and 2006, no adjustments were made to net loss to calculated diluted loss per share.

12. SEGMENTED INFORMATION

The Corporation determines its reportable segments based on the structure of its operations, which are focused in two principal business segments – the deployment of technology and equipment to third parties in return for rental and royalty income and the development of oil and gas properties utilizing the Corporation's Powerwave technology and equipment. The accounting policies of these segments are the same as those described in note 2.

Three months ended November 30, 2007	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Total \$
Revenue	201,085	30,831	52,903	284,818
Net loss for the period	(615,719)	(187,422)	(215,130)	(1,018,271)
Segment assets	6,612,462	4,425,904	4,263,931	15,302,297
Capital expenditures	300,687	198,683	881	500,251

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

Three months ended November 30, 2006	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Total 2006 \$
Revenue	14,870	60,437	113,550	188,857
Net loss for the period	(334,629)	(323,725)	(389,451)	(1,047,805)
Segment assets	1,397,202	3,787,206	12,330,866	17,515,274
Capital expenditures	539,403	506,187	290	1,045,880

Geographic Information	Three months ended November 30, 2007		Three months ended November 30, 2006	
	Revenue \$	Total assets \$	Revenue \$	Total assets \$
Canada	253,987	10,779,896	128,420	14,279,897
United States	30,831	4,522,401	60,437	3,235,377
	284,818	15,302,297	188,857	17,515,274

During the period ended November 30, 2007, the Corporation recorded revenue from twenty-five (2006 – seven customers). Sales in 2007 from the top three customers amounted to \$64,788, \$43,616 and \$37,406, which represented 22.7%, 15.3% and 13.1%, respectively of total revenue. Sales in 2006 from the top two customers amounted to \$32,207, \$21,835, which represented 17% and 12%, respectively of total revenue.

13. RELATED PARTY TRANSACTIONS

During the period ended November 30, 2007, the Corporation had the following related party transaction:

As at November 30, 2007, amounts due to the Corporation by Boulder totaled \$1,967,322 (August 31, 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 as the Corporation is repaid 200% of the costs incurred, after which, production revenues will revert back to the party's original working interest proportions. All production revenue originally attributable to Boulder has been recorded against the cost of the non-participation amounts due.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

Three Month Period Ended November 30, 2007

14. SEASONALITY OF OPERATIONS

Oilfield services offered by the Corporation are seasonable and related to the product offering and geographical extent to which products were offered for sale. The Corporation's product offering, in relation to oilfield services, are rental and sale of downhole equipment. The target geographical area of the product offering is Alberta and Saskatchewan. Due to temperature influences on ground conditions, the months of December, March and April have lower activities.

The Corporation focuses its resources on Powerwave and Primawave technologies. There no known seasonal fluctuations in regards to oil production, where the Corporation has mineral rights or enters into licensing or usage agreements in either targeted implementation sectors. As such management believes that this seasonality of operations will have minimal affects moving forward.

15. SUBSEQUENT EVENTS

On December 24, 2007, the Corporation completed the private placement of 4,985,678 units ("Units") of the Corporation at a price of \$0.95 per Unit for gross proceeds of \$4,736,394. Each Unit consists of one common share of the Corporation and one-half of one common share purchase warrant ("Warrant") with each full Warrant entitling the holder to acquire a common share of the Corporation at a price of \$1.25 up to December 24, 2008. All Units issued under the private placement are subject to a four-month hold period. Net proceeds from the private placement are estimated to approximate \$4,259,754.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.