Wavefront Energy and Environmental Services Inc.

First Quarter Report

For the three month

period ended

November 30, 2007

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The following Management Discussion and Analysis ("MD&A") of financial results should be read in conjunction with the unaudited interim financial statements and the accompanying notes for the period ended November 30, 2007, the audited financial statements and accompanying notes thereto, and MD&A for the year ended August 31, 2007. This MD&A is based on information available to January 25, 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 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 Condition and Results of Operations are also reviewed and approved by the Audit Committee of the Corporation's Board of Directors. This Management Discussion and Analysis of Financial Condition and Results of Operations contain information available to January 25, 2008.

Overview of Business

The principal business of Wavefront Energy and Environmental Services Inc. ("Wavefront" or "the Corporation") is the development and commercialization of innovative technologies for fluid flow optimization processes in both the environmental and energy sectors.

Core Intellectual Property

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'). PW is an injection process that dramatically improves the flow rate and distribution of fluids in the ground.

PW has been proven to be an effective method of achieving oil production revitalization through the following techniques:

Short-term Well Intervention Applications

- Well intervention (single wells)
- Matrix Acid – typical near wellbore cleanup
- Remedial sand control
- Acid Inhibition treatments
- Paraffin removal

Long-term Stimulation Applications

- Add-on to water injectors for improved injectivity rates, sweep efficiency, and reservoir conformance
- Add-on to water disposal wells
- Liquid CO_2 Injection
- Surfactant and Polymer floods

PW has been successfully applied in heavy and light oil development, as well as in groundwater remedial processes. The method of implementation or system utilized depends upon, among other things, geology and fluid viscosity. The operation of PW systems is specific to suit site specific characteristics. PW can be modified to increase injection and production flow rates, production well efficiency, and oil recovery ratios in a wide variety of configurations.

Groundwater quality remains a concern across the globe and the remediation of groundwater contaminants continues to be a growing industry. Since the physics of fluid flow is similar in shallow groundwater conditions to that of deep reservoirs associated with oil production, Wavefront provides PW as a value added approach to service and consulting companies tasked with site clean-up . PW has also been verified as an environmental remedial strategy by Environment and Industry Canada. The following are some applications of PW 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, chemical or oxidant agents to neutralize groundwater contaminants; and,
- Rehabilitation of water wells.

The optimization of PW is dependant upon, among other things, the characteristics of the fluid pressure pulse waveform created. Thus, part of Wavefront's value proposition is to monitor and model PW efficacy in order to maximize its benefits. Wavefront's intellectual property strategy is to maintain absolute control over its PW modeling software known as the "PW Analyzer". The software enables Wavefront to evaluate subsurface parameters enabling key insights into PW system operation and potential outcomes to be estimated.

Energy and Environmental Sector Applications 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 sales cycle of environmental remediation projects has approximated between three to six months. To gain market exposure the Corporation maintains a non-exclusive Technology License Agreement with Environmental Resources Management ("ERM"), and utilizes outside service contractors, companies providing remedial fluids, and outside sales agents to grow Primawave revenue in the environmental sector.

In addition to offering PW services, the Corporation also provides oilfield services 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 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, 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." to conform to the Wavefront brand.

RESULTS OF OPERATIONS

The first quarter of fiscal 2007 was a continuation of the last fiscal year's efforts to focus the Corporation on the advancement and the commercialization of Powerwave in the energy sector. More specifically, the Corporation focused on pushing the commercialization of its technology by showcasing it as follows:

- Finalizing the development of a portion of the Rogers County, Oklahoma oilfield leases.
- The Corporation's participation in the Greentree Gas & Oil Ltd. ("Greentree") farm-in agreement.
- Using Powerwave as an add-on to Wavefront Sand Pumps & Rental's services in the heavy oil sector; thereby, generating more client data on the affects of the technology and increasing the number of systems deployed.

The strategy of showcasing Powerwave in Rogers County and the Greentree Farm-in is designed to:

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

This strategy has directly resulted in projects in the Alberta, Alaska, Saskatchewan, Pennsylvania, and the United Kingdom.

Consolidated Results – three months ended November 30, 2007

Revenues

Revenues for the three months ended November 30, 2007 were $284,818, an increase of $95,961 from the revenue recognized in the corresponding period of 2006 of $188,857. The increase in revenue is primarily a result of the acquisition of Wavefront Sand Pumps & Rentals Ltd.

The Corporation also recognized production revenue of $23,309 (2006 - $6,395) related to the Rogers County venture, and interest income of $52,903 (2006 - $113,550). The later of which resulted from the investment of the cash balance of private placement proceeds from prior years.

Geographically, $253,987 (2006 – $128,420) in revenue was generated in Canada, and $30,831 (2006 - $60,437) from the United States of America.

Direct Expenses

Direct expenses related to revenue increased to $143,273 (or 71% of gross services and royalty revenue) compared to $24,885 (or 68% of gross service and royalty revenues) for the corresponding period of 2006. The current year increase in direct costs relates to the service nature of the business associated with and the inclusion of Powerwave to the services of Wavefront Sand Pumps & Rentals.

Other Operating Expenses

Other operating expense for the period amounted to $1,145,556, compared to $769,421 in 2006. The increase in operating expenses of $376,135 was principally a result of the following changes:

i. Research and development, totalling $144,379, comprised the largest increase in other operating expenses. Included in the current period's expenses is $122,074 of costs that were previously included in assets under construction. During the reporting period these amounts were deemed to be development costs and were expensed from assets under construction to development costs.

ii. General and administrative expenses totalled $655,785, an increase of $84,196 from the expenses recognized in the corresponding period of November 30, 2006 of $571,589. The following table provides comparative details for the general and administrative expenses.

	2007	2006
Wages, employee benefits, and contract employees	380,752	281,853
Office	112,853	83,601
Professional fees	79,802	121,925
Repairs and maintenance	43,743	8,266
Vehicle	34,550	19,033
Consultants	3,831	56,532
Miscellaneous	254	379
	655,785	571,589

iii. Additional other operating expenses amounting to $162,471 relate to the following:

- An increase in "amortization, depreciation, depletion and accretion" expenses of $73,865 which relates to an increase in the Corporation's PW systems and amortization of some intangible assets.
- An increase in "selling, marketing, and travel" expense of $58,164 which relates to increased activity in securing of Powerwave projects across North America. Also included in the cost category are costs totalling $71,746 related to projects in Alberta, Saskatchewan and Pennsylvania.
- An increase of "listing and public company fees" of $30,442 which relates to the investor relations consultants and associated expenses related to developing a secondary market for the trading of the Corporation's securities.

The changes in operating expenses are a result of the focus on expediting the commercialization of PW as well as the increased size of operations which resulted from efforts to push the technology in the market place through the acquisition of Wavefront Sand Pumps & Rentals.

Net Loss and Loss Per Share

The net loss for the three months ended November 30, 2007 was $1,018,271 ($0.02 per share), compared to $1,047,805 ($0.02 per share) in 2006. Offsetting operating expense increases noted above were decreases in stock-based compensation, the recognition of foreign currency gains associated with the translation of the Corporation's US subsidiary, and the increase in revenues resulting from Wavefront Sand Pumps & Rentals heavy oil services and PW operations.

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 main 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 are 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 effects moving forward.

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total assets decreased by $1,217,457 to $15,302,297 since August 31, 2007, which was principally due to decreases in cash used to support ongoing operations and accounts receivable. Offsetting these decrease were increases in the investments in intangibles associated with the Greentree Farm-in property, plant and equipment, and prepaid insurance.

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. The Corporation also holds a 100% working interest in an aggregate of 16,079 acres, consisting of multiple oilfield leases in Young County, Texas. As at November 30, 2007 no development has occurred in Young County.

The underlying oilfield associated with the Greentree Farm-in remains under development, and as such not subject to depletion or depreciation.

The acquisition of Rogers County and Young County oilfield leases and participation in the Greentree Farm-in are to showcase the durability of the Powerwave systems and for the collection of data over a range of difficult geological conditions that can be audited by potential third party Powerwave customers. Powerwave's success in Rogers County has directly led to projects in the Alberta, Alaska, Saskatchewan, Pennsylvania and the United Kingdom.

Non-participation amounts due have been re-classified as a component of property, plant and equipment, as the Corporation carries Boulder's interest in the all rights and entitlement of the assets till such time that the Corporation is repaid 200% of the costs incurred. No depletion or depreciation of the non-participation amounts has been recorded as the underlying asset or the oilfield, remains classified as an unproven property. All production revenue originally attributable to Boulder has been recorded against the cost of the non-participation amounts due.

Total liabilities decreased by $296,424 to $1,537,325 since August 31, 2007. This was principally due to the decreased of $319,565 in accounts payable and accrued liabilities.

Liquidity

As at the end of the period, the Corporation had working capital of $3,687,323. The Corporation believes that its working capital position will continue to fluctuate as management believes positive results related to the Powerwave projects will require the Corporation to ramp up PW system inventories. Other projects that will affect the Corporation's working capital position include the completion of the developments of Rogers County and Greentree farm-in; however, Management does not expect sizable financial commitments related to these projects in fiscal 2008.

The Corporation, however, anticipates greater cash inflows as a result of the following:

- increasing production at Rogers County as the balance of the oilfield is brought into production;
- the completion of and bringing Greentree South Rodney oilfield in to production;
- increased Powerwave and Primawave revenue and revenue generated from Wavefront Sand Pumps & Rentals Ltd.; and
- further Powerwave projects throughout Canada, the United States, and other jurisdictions.

Financings

During the reporting period, the Corporation did not undertake any equity financing activities. Subsequent to the quarter ended November 30, 2007 however, the Corporation closed a brokered and concurrent non-brokered private placement for 4,985,678 units ("Units") 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 commons share purchase warrant ("Warrant"). Each full Warrant is exercisable for one common share of the Corporation at a price of $1.25 for a period of 12 months from the date of closing. Provided however, the 20 day weighted average price of the Corporation's common shares trade at or above $1.50, the Warrants must be exercised or will expire within 30 calendar days after notice of such event is mailed to the Warrant holders. Management has estimated total transaction cost of approximately $477,640, resulting in approximate net proceeds of $ $4,259,754 and will be used to initiate the manufacturing of an inventory of Powerwave and Primawave systems for field wide implementation, with the remainder to be set aside for unallocated working capital. All common shares issued in connection with this financing are subject to a four-month hold period.

Liquidity risk associated with financial instruments is generally related to accounts receivable. The liquidity risk associated with accounts receivable is believed to be low based on the Corporation's history and the customers generally serviced.

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 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, which has been recorded as an intangible asset on the consolidated balance sheet. 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.

Supplier Purchase Obligations

The Corporation is committed to acquiring inventory items totaling $293,613 from a third party supplier and various operating leases for premises, vehicles and contracts totaling $159,119 over the next two years.

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

- To build an inventory of Powerwave systems for deployment to external clients for use in waterfloods in commercial projects.
- To support the marketing efforts with, and to train all licensees, on the implementation of Powerwave and Primawave.
- Operation's in the Rogers County leases in proportion to the Corporation's working interest.

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

As of January 25, 2007, there are no amounts owed in respect of the lines of credit and the Corporation had $7,993,686 of cash on hand.

Off-Balance Sheet Arrangements

The Corporation has no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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

In fiscal 2007, the Corporation became the operator of record of the Rogers County venture, and Boulder, as a non-operating partner and related party, exercised its non-participation rights in the Joint Operating Agreement. As at November 30, 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.

PROPOSED TRANSACTIONS

Successful Powerwave results stemming from upcoming installations will require the Corporation to build a significant number of Powerwave systems for broader commercial utilization.

OUTLOOK

Looking forward, some industry experts expect that the high price environment for crude oil and natural gas appears to be sustainable for the foreseeable future. As a result, production efforts in North America and on a worldwide basis are expected to remain strong. This focus on production will be a strong driver on how Powerwave is commercialized and will affect the Corporation's financial performance in fiscal 2008.

Efforts for fiscal 2008 will focus on assuring existing and pending Powerwave projects in Alberta, Texas, Alaska, the United Kingdom, and elsewhere move to full commercialization. In moving the Corporation to a positive cash flow position principal effort will be extended to: (1) increasing cash flow from production operations and licensing; (2) the strategic acquisition of complimentary companies and technologies, (3) implement field-wide Powerwave waterflood projects with mainstream producers; (4) expand the business of Wavefront Sand Pumps & Rentals Ltd.; and, (5) building a sound distribution network of service providers and consulting companies to deliver Primawave to the environmental user community.

SUPPLEMENTARY INFORMATION

Summary of Quarterly Results

	1st Qtr Nov 30 '07	4th Qtr Aug 31 '07	3rd Qtr May 31 '07	2nd Qtr Feb 28 ' 07
Revenue	$ 284,818	$ 467,863	$ 711,538	$ 169,020
Loss from Operations	1,004,011	777,005	569,029	674,973
Net Loss	$ 1,018,271	$ 1,234,352	$ 1,042,086	$ 1,025,658
Basic and diluted loss per share	$ 0.021	$ 0.028	$ 0.020	$ 0.020
Common shares outstanding				
Weighted average shares outstanding	48,572,112	47,937,111	47,927,816	47,918,911
Diluted shares outstanding				

	1st Qtr Nov 30 '06	4th Qtr Aug 31 '06	3rd Qtr May 31 '06	2nd Qtr Feb 28 ' 06
Revenue	$ 188,857	$ 294,863	$ 203,345	$ 169,972
Loss from Operations	605,449	810,182	540,336	413,121
Net Loss	$ 1,047,805	$ 1,302,976	$ 801,700	$ 573,273
Basic and diluted loss per share	$ 0.022	$ 0.035	$ 0.024	$ 0.020
Common shares outstanding				
Weighted average shares outstanding	47,913,796	34,940,952	33,926,976	31,818,243
Diluted shares outstanding				

(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.

RISK FACTORS

The Corporation's business risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2007.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's critical accounting policies and estimates are the same as disclosed in its annual MD&A issued for the year ended August 31, 2007

CHANGES 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 periods presented.

FINANCIAL AND OTHER INSTRUMENTS

There are no significant changes, since the annual MD&A issued for the year ended August 31, 2006, in financial or other instruments.

DISCLOSURE CONTROLS

The Chief Executive Officer and Chief Financial Officer are responsible for designing internal control over financial reporting or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. There are inherent weaknesses in the systems of internal control due to the small size of the Corporation and its inability to segregate incompatible functions and use of manual systems as a result. The Corporation plans to remediate these weaknesses by expanding the number of individuals involved in the accounting function as the Corporation grows and by implementing new accounting related software. Effective disclosure controls and procedures are achieved, despite these weaknesses internal controls over financial reporting, because of the Chief Financial Officer's direct involvement in the disclosure controls and procedures process.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Corporation undertook the documentation and assessment of the design of internal controls over financial reporting for its operating and accounting processes. Similar to the evaluation of disclosure controls and procedures referred to above, the design of internal controls over financial reporting was evaluated as defined in Multilateral Instrument 52-109. Based on the results of this evaluation, the President and Chief Executive Officer and the Chief Financial Officer attested that the internal controls over financial reporting are designed to provide reasonable assurance that its financial reporting is reliable and that Corporation's consolidated financial statements were prepared in accordance with Canadian GAAP.

Management also concluded that during the quarter ended November 30, 2007, no changes were made to internal controls over financial reporting that would have materially affected, or would be reasonably considered to materially affect, these controls.

Scope of Internal Controls Over Financial Reporting

The Corporation's internal controls over financial reporting do not extend to that of Greentree Gas and Oil Ltd. Additional procedures have been performed by the Corporation in order to ensure that the amounts relating to the Greentree Farm-in Agreement in the consolidated financial statements were recorded in accordance with GAAP.

Management, including the CEO and CFO, believe that the Corporation is taking the appropriate steps necessary for the remediation of the above weakness and will continue to monitor the effectiveness of these procedures and to make any changes as is deemed appropriate.

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 technology, 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.