

Unaudited Consolidated Financial Statements of

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

For the Third Quarter ended May 31, 2009

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WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Consolidated Balance Sheets

	As at May 31, 2009 \$ (Unaudited)	As at August 31, 2008 \$ (Audited – note 2)
Assets		
Current assets		
Cash and cash equivalents	17,172,018	22,435,719
Accounts receivable	375,993	758,180
Prepaid expenses	231,191	36,303
Inventory	67,302	86,339
	<hr/>	<hr/>
	17,846,504	23,316,541
Deposits	71,270	62,136
Property, plant and equipment (notes 6, 7 and 16)	5,586,644	4,991,092
Intangible assets (note 8)	2,011,371	2,570,096
Goodwill (note 5)	1,399,715	988,862
	<hr/>	<hr/>
	26,915,504	31,928,727
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,290,593	1,068,559
Current portion of amounts due to shareholders	111,062	137,985
Current portion of obligations under capital leases	-	24,049
	<hr/>	<hr/>
	1,401,655	1,230,593
Due to shareholders	-	73,469
Asset retirement obligation (note 9)	186,380	174,562
	<hr/>	<hr/>
	1,588,035	1,478,624
Shareholders' Equity		
Share capital (note 11)	49,721,045	49,319,704
Contributed surplus	3,122,069	2,642,913
Deficit	(27,515,645)	(21,512,514)
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	25,327,469	30,450,103
	<hr/>	<hr/>
	26,915,504	31,928,727

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

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

	Nine Month Period Ended		Three Month Period Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
	\$	\$	\$	\$
Revenue				
Service revenue and royalties	711,967	854,848	287,078	458,143
Production revenue and operator fees, net of taxes and royalties	99,137	137,118	55,967	52,649
Interest and other	267,721	319,147	37,021	173,217
	<u>1,078,825</u>	<u>1,311,113</u>	<u>380,066</u>	<u>684,009</u>
Expenses				
Direct costs	330,041	357,675	105,113	152,082
General and administrative expenses	3,125,637	2,448,256	1,154,668	952,915
Write-down of oilfield property, plant and equipment, and non-participation amounts	1,133,936	50,661	-	50,661
Write-down of intangible assets	555,212	-	-	-
Selling, marketing and travel	667,605	575,047	201,085	187,627
Stock-based compensation (note 11)	543,097	232,643	207,354	108,209
Amortization, depreciation, depletion and accretion expenses	470,708	512,492	207,449	233,273
Research and development	301,821	310,423	144,095	151,232
Listing and public company fees	109,114	212,862	8,634	80,056
Loss (gain) on disposal of property, plant and equipment	26,721	(13,722)	20,384	2,603
Interest expense	12,911	28,372	3,186	4,295
Foreign exchange (gain) loss	(198,847)	(62,013)	91,549	(43,171)
	<u>7,081,956</u>	<u>4,652,696</u>	<u>2,143,517</u>	<u>1,879,782</u>
Net loss and comprehensive loss for the period	(6,003,131)	(3,341,583)	(1,763,451)	(1,195,773)
Deficit – Beginning of period	(21,512,514)	(14,567,335)	(25,752,194)	(16,713,145)
Deficit – End of period	(27,515,645)	(17,908,918)	(27,515,645)	(17,908,918)
Loss per common share (note 14)				
Basic and diluted	<u>(0.08)</u>	<u>(0.06)</u>	<u>(0.02)</u>	<u>(0.02)</u>

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Consolidated Statements of Cash Flows (Unaudited)

	Nine Month Period Ended		Three Month Period Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
	\$	\$	\$	\$
Cash provided from (used in)				
Operating activities				
Net loss for the period	(6,003,131)	(3,341,583)	(1,763,451)	(1,195,773)
Items not affecting cash				
Write-down of oilfield property, plant and equipment, and non participation amounts	1,133,936	50,661	-	50,661
Write-down of intangible assets	555,212	-	-	-
Stock-based compensation (note 11)	543,097	232,643	207,354	108,209
Amortization, depreciation, depletion and accretion expenses	470,708	512,492	207,449	233,273
Loss (gain) on disposal of property, plant and equipment	26,721	(13,722)	20,384	2,603
	<u>(3,273,457)</u>	<u>(2,559,509)</u>	<u>(1,328,264)</u>	<u>(801,027)</u>
Net change in non-cash working capital items	<u>459,375</u>	<u>(391,651)</u>	<u>495,061</u>	<u>(657,066)</u>
	<u>(2,814,082)</u>	<u>(2,951,160)</u>	<u>(833,203)</u>	<u>(1,458,093)</u>
Financing activities				
Proceeds from Private Placements – net of share issuance costs	-	12,805,050	-	-
Proceeds from exercise of share purchase warrants	-	9,141,704	-	9,141,704
Proceeds from exercise of incentive stock options	337,400	186,312	92,400	163,402
Repayment of long-term debt	(111,807)	-	-	-
Repayment of amounts due to shareholder	(102,392)	(62,354)	(34,850)	3,783
Repayment of obligations under capital leases	(2,867)	(87,669)	-	(69,244)
	<u>120,334</u>	<u>21,983,043</u>	<u>57,550</u>	<u>9,239,645</u>
Investing activities				
Purchase of property, plant and equipment (note 6)	(1,959,096)	(808,356)	(647,648)	(374,630)
Business acquisition (note 5)	(550,676)	-	-	-
Intangible costs (note 8)	(86,231)	(282,321)	(44,882)	4,620
Proceeds on disposal of property, plant and equipment	26,050	89,289	25,475	(1,495)
	<u>(2,569,953)</u>	<u>(1,001,388)</u>	<u>(667,055)</u>	<u>(371,505)</u>
(Decrease) increase in cash and cash equivalents	(5,263,701)	18,030,495	(1,442,708)	7,410,047
Cash and cash equivalents – Beginning of period	22,435,719	5,430,949	18,614,726	16,051,397
Cash and cash equivalents – End of period	17,172,018	23,461,444	17,172,018	23,461,444
Supplementary information				
Interest paid	15,461	18,441	5,876	4,244

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

1. DESCRIPTION OF BUSINESS

Wavefront Technology Solutions Inc. (formerly Wavefront Energy and Environmental Services Inc.) (the "Corporation") is incorporated under the Canada Business Corporations Act. The Corporation's principal business activities involve the licensing and utilization of the Corporation's patented process for the enhancement and improvement of oil recovery and oil well stimulation (Powerwave™), and the optimization of groundwater remediation (Primawave™) approaches. In the oil sector the Corporation's strategy is to leverage its intellectual property through licenses of its 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, 2008 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, 2008.

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, 2008 the Corporation adopted the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures", Section 3031, "Inventories", Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – 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.

Capital Disclosures

Section 1535, "Capital Disclosures," establishes standards for disclosure about a company's capital and how it is managed in order that a user of the financial statements may evaluate the Corporation's objectives, policies, and processes for managing capital.

Inventories

Section 3031, "Inventories," establishes that inventories should be measured at the lower of cost and net realizable value, and also provides guidance on the issues of cost determination and inventory related disclosures.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

Financial Instruments – Disclosure and Presentation

Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation” replace Section 3861 “Financial Instruments – Disclosures and Presentation”. Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity’s financial position and its performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equities, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and liabilities are offset.

Going concern

The CICA Handbook Section 1400, “General Standards of Financial Statement Presentation” was amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. The requirements of this amended Section were adopted by the Corporation on September 1, 2008. The adoption of this Section had no impact on the Corporation’s financial statements.

4. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

Goodwill and Intangible Assets

The CICA issued a new standard, Section 3064, “Goodwill and Intangible Assets”. Standards concerning goodwill are unchanged from the previous Handbook Section 3062; however, this new section provides guidance for the treatment of preproduction and start up costs and requires these costs to be expensed as incurred. This new section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

5. BUSINESS ACQUISITION

Effective January 31, 2009, the Corporation acquired (the “Acquisition”) all of the issued and outstanding shares of Predator Pumps Ltd. (“Predator”), a privately-held Alberta company that provides specialized pumping equipment and services for use in heavy oil wells. Consideration for the Acquisition was \$550,676 (the “Purchase Price”) payable in cash. The Acquisition agreement includes a provision for contingent consideration of up to \$150,000 based on maintenance of certain sales performance conditions one year from the closing date. Any contingent consideration will be paid in cash, and is recorded as an incremental cost of the Purchase Price and added to goodwill.

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

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

	\$
Current assets	55,676
Non-current assets	<u>213,490</u>
Total assets acquired	<u>269,166</u>
Current liabilities	84,437
Long-term debt	<u>44,906</u>
Total liabilities assumed	<u>129,343</u>
Net assets acquired	139,823
Goodwill	<u>410,853</u>
Purchase price	<u>550,676</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 maintaining certain sale performance conditions and adjustment pending a final purchase price allocation.

6. PROPERTY, PLANT and EQUIPMENT

			As at May 31, 2009	As at August 31, 2008
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Oilfield property, plant and equipment	\$ 601,300	\$ 35,826	\$ 565,474	\$ 1,120,666
Non-participation amounts	766,512	24,389	742,123	1,085,773
Equipment	4,703,275	709,865	3,993,410	2,597,603
Computer equipment	233,151	157,298	75,853	87,703
Computer software	326,607	285,887	40,720	43,905
Automotive equipment	114,658	12,447	102,211	30,558
Office furniture	122,315	55,462	66,853	24,884
	<u>\$ 6,867,818</u>	<u>\$ 1,281,174</u>	<u>\$ 5,586,644</u>	<u>\$ 4,991,092</u>

Property, plant and equipment includes oilfield property, plant and equipment of \$219,636 related to unproved properties in Young and Taylor County (Note 7) that are not subject to depreciation, and depletion, and equipment under construction of \$1,317,076 (August 31, 2008 - \$1,334,942), which is not being depreciated.

Depreciation expense for the nine month period ended May 31, 2009 was \$369,146 (May 31, 2008 - \$354,406), (May 31, 2008 included depreciation relating to equipment under capital leases of \$16,479). Depletion expense for Rogers County oilfield property plant and equipment and non-participation amounts (Note 7) totaled \$72,143 (May 31, 2008 - \$nil).

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

7. 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 \$560,294 (August 31, 2008 - \$1,003,695) related to the Rogers County venture. Amortization expense for the period ended May 31, 2009 totaled \$64,265 (August 31, 2008 - \$nil) on the Rogers County oilfield property, plant and equipment. Although the Corporation has, at present, ceased further development of the Rogers County oilfield, maintenance of the wells and production will continue.

During the fiscal year ending August 31, 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 (refer to Note 16 "related party transactions"), exercised its non-participation rights in the Joint Operating Agreement. 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. As at May 31, 2009, the recorded amounts related to Boulder's exercise of non-participation rights totaled \$742,124 (August 31, 2008 - \$1,085,773). 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. There are no other contractual obligations for Boulder to repay the Corporation other than the assignment of production revenues.

During the nine month period ended May 31, 2009, the Corporation has recognized production revenue of \$62,338 (May 31, 2008 - \$73,898) related to the Rogers County venture.

During the first quarter ended November 30, 2008, there was a material decline in commodity prices. The Corporation recorded a write-down of its Rogers County oilfield property, plant and equipment and non-participation amounts by \$1,133,936 (August 31, 2008 - \$2,095,242). No write-down was provided for in the third quarter ended May 31, 2009.

Young County

During the year ended August 31, 2007, the Corporation acquired one hundred (100%) percent 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 nine month period ended May 31, 2009 (May 31, 2008 - \$nil).

Taylor County

During the year ended August 31, 2008, the Corporation acquired fifty (50%) percent working interest in certain mineral leases in Taylor County, Texas for total consideration of \$39,768. No costs were incurred on these leases for the nine month period ended May 31, 2009 (May 31, 2008 - \$nil).

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

8. INTANGIBLE ASSETS

	Nine Months Ended May 31, 2009		Year Ended August 31, 2008
	Cost	Accumulated Depreciation	Net Book Value
Royalty rights	\$ 1,719,872	\$ 122,856	\$ 1,597,016
Fully-paid up license	106,990	20,661	86,329
Patents	426,317	99,010	327,307
Incorporation costs	3,451	2,732	719
	\$ 2,256,630	\$ 245,259	\$ 2,011,371

Amortization expense for the period ended May 31, 2009 totaled \$89,744 (May 31, 2008 - \$141,701).

Greentree Gas and Oil Ltd. royalty rights

As at May 31, 2009, the Corporation has paid Greentree \$2,177,611 (August 31, 2008 – \$2,168,834) under the Farm-in Agreement. The Corporation is obligated to provide additional funding of up to \$72,389. The related asset is classified as finite life intangible asset.

Amortization expense for the nine month period ended May 31, 2009 totaled \$64,133 (May 31, 2008 - \$112,622) on the gross over-riding royalty rights.

During the first quarter ended November 30, 2008, there was a material decline in commodity prices. The Corporation recorded a write-down of its Farm-in Royalty Rights by \$555,212 (August 31, 2008 – \$nil). No write-down was provided for in the third quarter ended May 31, 2009.

9. 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:

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

	Nine Months Ended May 31, 2009 \$	Year Ended August 30, 2008 \$
Asset retirement obligations – Beginning of period	174,562	74,890
Liabilities incurred	-	64,494
Accretion expense	11,818	35,178
Asset retirement obligations – End of period	<u>186,380</u>	<u>174,562</u>

The total undiscounted amount of estimated cash flows required to settle the obligation is US \$334,028 (August 31, 2008 – US \$334,028), 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.

10. COMMITMENTS

a) Operating leases

The Corporation is committed under various operating leases for premises, vehicles and contracts. The minimum amounts payable over the next four years is as follows:

Fiscal Year	\$
2009	35,019
2010	94,932
2011	73,057
	<u>203,008</u>

b) Greentree Gas & Oil Farm-in Agreement

The Corporation obligation related to the Greentree Farm-in Agreement (Note 8) is the remaining balance of up to \$72,389.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

11. SHARE CAPITAL

The Corporation's authorized and issued share capital as at May 31, 2009 is as follows:

Authorized

Unlimited common shares without par value

Issued common shares

	Nine Months Ended May 31, 2009	
	Number #	Stated capital \$
Balance – Beginning of period	71,064,808	49,319,704
Stock options exercised	695,000	401,341
Balance – End of period	71,759,808	49,721,045

The 695,000 stock options exercised during the period ended May 31, 2009, were at a prices ranging from \$0.44 to \$0.55.

Stock-based compensation plan

A summary of the status of the Corporation's stock option plan as at May 31, 2009 is presented below:

	Nine Months Ended May 31, 2009	
Stock options	Number #	Weighted average exercise price \$
Outstanding – Beginning of period	3,015,170	1.30
Granted	750,000	0.55
Exercised	(695,000)	0.49
Cancelled	(90,000)	1.11
Outstanding – End of period	2,980,170	1.31

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

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	1.6	725,000	1.6
2.90	140,000	4.1	70,000	4.1
2.57	200,000	2.0	200,000	2.0
2.05	200,000	3.8	133,333	3.8
1.76	100,000	2.2	100,000	2.2
1.65	210,000	3.7	175,000	3.7
1.40	50,000	3.7	41,667	3.7
0.97	100,170	2.8	100,170	2.8
0.60	150,000	4.7	25,000	4.7
0.54	600,000	4.6	99,997	4.6
0.45	265,000	0.3	265,000	0.3
0.40	240,000	1.3	240,000	1.3
	<u>2,980,170</u>	<u>2.8</u>	<u>2,175,167</u>	<u>2.1</u>

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 wages and to consultant expense with a corresponding increase in contributed surplus.

During the nine month period ended May 31, 2009, 750,000 incentive stock options were issued at prices ranging from \$0.54 to \$0.60. Of the 750,000 incentive stock options issued, 500,000 were to directors of the Corporation. During the period ended May 31, 2008 no incentive stock options were granted.

Subsequent to the reporting period 128,800 incentive stock options were issued to employees of the Corporation with an exercise price of \$0.59. The incentive stock options are set to expire on July 8, 2014.

During the nine month period ended May 31, 2009, the Corporation incurred \$543,097 (May 31, 2008 - \$232,642) in compensation expense relating to outstanding employee stock options.

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

Escrow shares

The balance of all common shares held in escrow as at May 31, 2009, was 180,000 (August 31, 2008 – 360,000).

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

12. MANAGEMENT OF CAPITAL

As at May 31, 2009, the Corporation's capital is composed of share capital of \$49,721,045, cash and cash equivalents of \$17,172,018 and an available revolving line of credit of \$100,000 that had an outstanding balance of \$nil.

The Corporation's primary objectives when managing capital are as follows:

- To safeguard the entity's ability to continue as a going concern, so that it can provide returns to shareholders and benefits for other stakeholders; and
- To maintain sufficient cash and cash equivalents and short-term investments to fund its business plan.

The Corporation's primary uses of capital are to finance commercialization of its Powerwave and Primawave technologies, tool development and manufacturing, market development, working capital, capital expenditures, and operating losses.

The Corporation is not subject to any externally imposed capital requirements. The Corporation's strategy remains unchanged from prior periods.

13. FINANCIAL INSTRUMENTS

Financial instruments consists of the Corporation's cash, guaranteed investment certificates, accounts receivable, accounts payable and accrued liabilities, lines of credit, and amounts due to shareholders. The Corporation is not subject to any covenants or restrictions related to any indebtedness.

The Corporation is exposed to the following risks in respect of certain financial instruments held:

Fair value

Fair value is subjective in nature, requiring valuation techniques and assumptions. Fair value amounts disclosed in these interim consolidated financial statements represent the Corporation's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are at point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

The carrying amounts in the balance sheet for cash and cash equivalents approximate their fair values due to the short terms to maturity of these instruments.

The carrying amounts in the balance sheet for accounts receivable, accounts payable and accrued liabilities, obligations under capital leases, amounts due to shareholders, and asset retirement obligations are recorded at amortized cost.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligation as they come due. The Corporation has sustained substantial losses and negative cash flows. As at May 31, 2009, the Corporation had \$17,172,018 of cash and cash equivalents.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

Cash includes \$16,350,000 held in guaranteed investment certificates bearing interest at 0.85% maturing on March 1, 2010.

The following are the contractual undiscounted financial liabilities as at May 31, 2009:

	Total	less than 1 year	2 – 3 years	4 – 5 years	greater than 5 years
Accounts payable and accrued liabilities	1,290,593	1,290,593	-	-	-
Amounts due to shareholders	111,062	111,062	-	-	-

In addition, the Corporation has an authorized revolving line of credit available of \$100,000, with nil amounts outstanding as at May 31, 2009. The revolving line of credit bears an interest rate of prime plus 0.25% and is repayable on demand and secured by a limited personal guarantee and a guaranteed investment certificate of a shareholder.

Credit risk

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation manages credit risk associated with cash and cash equivalents and short-term investments by investing primarily in short-term investments issued by Schedule 1 Canadian banks and government investment instruments. While the Corporation does not hold asset-back securities directly, these parties may be exposed in varying degrees to asset-back securities and U.S. sub-prime mortgages. The Corporation regularly monitors its investments to manage this potential risk.

The risk may also affect accounts receivable. In the normal course of business, the Corporation reviews new customer credit history and conducts reviews of existing counterparty financial position. Provisions are established and maintained with regards to potential losses. As at May 31, 2009, twelve customers represent 85% of the accounts receivable. The trade receivable distribution of the Corporation is as follows:

	Total	Current 1 -90 days	91 – 120 days	121 + days
Accounts receivable	203,261	136,571	11,055	55,635

The Corporation maintains an Export Development Canada insurance policy on all foreign receivables outside of the United States. Over the past years, the Corporation has not suffered any material losses related to credit risk.

The Corporation also is exposed to a counterparty credit risk with respect to the Royalty Rights agreements (Note 8).

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. The Corporation conducts a significant portion of its business activities in the United States, in US dollars. Cash and cash equivalents, accounts receivables, accounts payables and accrued liabilities that are dominated in foreign currencies will be affected by the changes in the exchange rates between the Canadian dollar and US dollar.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to Consolidated Financial Statements (Unaudited)

The US dollar carrying amounts subject to exposure to foreign currency risk as at May 31, 2009 is as follows:

	US dollars
Cash and cash equivalents	192,892
Accounts receivable	59,141
Accounts payable and accrued liabilities	(548,386)

Based on the above exposures as at May 31, 2009, and assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease or increase in the Corporation's net loss and comprehensive loss of approximately \$16,242 applicable to the US dollar exposure.

The Corporation currently does not enter into any derivative financial instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In respect to accounts payable and accrued liabilities, lines of credit, and amounts due to shareholders, the Corporation is not exposed to interest rate fluctuation since terms to maturity are short or interest rates are fixed.

The Corporation's accounts receivable however, will be affected by changes in interest rate fluctuation. Based on this exposure as at May 31, 2009, and assuming that all other variables remain constant, a 500 basis point interest rate decrease or increase would result in a decrease or increase in the Corporation's net loss and comprehensive loss of approximately \$1,768 applicable to the interest rate fluctuation.

The Corporation does not use any derivative financial instruments to reduce its exposure to interest rate risk.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in commodity oil and gas prices. Production revenues, production overriding royalties and Powerwave license fees based on producer production revenues will be affected by the changes in the oil and gas prices.

Based on the above exposure as at May 31, 2009, and assuming that all other variables remain constant, a 10% decrease or increase in commodity prices would result in a decrease or increase in the Corporation's net loss and comprehensive loss of approximately \$7,433 applicable to the commodity price rate fluctuation.

The Corporation does not use any derivative financial instruments to reduce its exposure to commodity price rate risk.

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Notes to Consolidated Financial Statements (Unaudited)

14. 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 71,513,398 (May 31, 2008 – 60,004,288).

Diluted loss per share is computed by giving effect to the potential dilution that would occur if stock options and common share purchase warrants were exercised. The treasury stock method assumes that the proceeds received from the exercise of the "in-the-money" stock options and common share purchase warrants are used to repurchase common shares at the average market price for the period ended May 31, 2009.

In determining diluted loss per share, the weighted average number of shares outstanding was increased by 1,137,483 (May 31, 2008 – 708,486) 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 72,650,881 (May 31, 2008 – 60,712,774). As the result was anti-dilutive in both periods ending May 31, 2009 and May 31, 2008, no adjustments were made to net loss to calculated diluted loss per share.

15. 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 and to showcase the Corporation's Powerwave technology and equipment. The accounting policies of these segments are the same as those described in Note 2.

Nine months ended May 31, 2009	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Total \$
Revenue	714,851	99,137	264,837	1,078,825
Net loss for the period	(3,034,797)	(2,127,970)	(840,364)	(6,003,131)
Segment assets	6,468,928	3,408,769	17,037,807	26,915,504
Capital expenditures	2,153,018	382,026	60,959	2,596,003

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Nine months ended May 31, 2008	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Total 2008 \$
Revenue	854,848	137,118	319,147	1,311,113
Net loss for the period	(1,678,441)	(983,472)	(679,670)	(3,341,583)
Segment assets	4,196,712	6,728,690	23,907,736	34,833,138
Capital expenditures	651,063	493,845	(54,231)	1,090,677

Geographic Information	Nine months ended May 31, 2009		Nine months ended May 31, 2008	
	Revenue \$	Total assets \$	Revenue \$	Total assets \$
Canada	894,196	24,910,034	1,219,258	30,231,641
United States	184,629	2,005,470	91,855	4,601,497
	1,078,825	26,915,504	1,311,113	34,833,138

During the nine month period ended May 31, 2009, the Corporation recorded revenue from thirty-eight (2008 – thirty-three customers). Sales in 2009 from the top three customers amounted to \$183,034, \$ 75,386, and \$ 62,339, which represented 17%, 7% and 6 %, respectively of total revenue. Sales in 2008 from the top three customers amounted to \$248,550, \$209,394 and \$200,759, which represented 19%, 16% and 16%, respectively of total revenue.

Three months ended May 31, 2009	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Total \$
Revenue	287,773	55,967	36,326	380,066
Net loss for the period	(960,079)	(325,916)	(477,456)	1,763,451
Segment assets	6,468,928	3,408,769	17,037,807	26,915,504
Capital expenditures	665,775	-	26,755	692,530

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Three months ended May 31, 2008	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Total 2008 \$
Revenue	424,069	86,723	173,217	684,009
Net loss for the period	(565,129)	(402,754)	(227,890)	(1,195,773)
Segment assets	4,196,712	6,728,690	23,907,736	34,833,138
Capital expenditures	282,015	142,516	(54,521)	370,010

Geographic Information	Three months ended May 31, 2009		Three months ended May 31, 2008	
	Revenue \$	Total assets \$	Revenue \$	Total assets \$
Canada	328,082	24,910,034	643,545	30,231,641
United States	51,984	2,005,470	40,464	4,601,497
	380,066	26,915,504	684,009	34,833,138

16. RELATED PARTY TRANSACTIONS

During the nine month period ended May 31, 2009, the Corporation had the following related party transactions:

- As at May 31, 2009, the recorded amounts related to Boulder's exercise of non-participation rights totaled \$742,124 (August 31, 2008 - \$1,085,773). 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. There are no other contractual obligations for Boulder to repay the Corporation other than the assignment of production revenues.
- Of the stock options exercised during the period ended May 31, 2009, 585,000 were exercised by directors of the Corporation at prices ranging from \$0.44 to \$0.55. Of the stock options exercised during the period ended May 31, 2008, 250,000 were exercised by directors of the Corporation at a price of \$0.50 and \$0.54.
- During the reporting period 500,000 incentive stock options were issued to directors of the Corporation with an exercise price of \$0.54. The incentive stock options are set to expire January 5, 2014.

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17. 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 activity.

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.

18. COMPARATIVE FIGURES

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

Powerwave and Primawave are registered trademarks of Wavefront Technology Solutions Inc.