



Wavefront Technology Solutions Inc.

- Third Quarterly Report**
- For the period
- year ended
- May 31, 2009**



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

Management's Responsibility

The management of Wavefront Technology Solutions Inc., formerly Wavefront Energy and Environmental Services Inc., ("Wavefront" or "the Corporation") is responsible for the accuracy of the information disclosed in the Management Discussion and Analysis. The interim and annual Management Discussion and Analysis of Financial Conditions and Results from Operations are also reviewed and approved by the Audit Committee of the Corporation's Board of Directors. This Management Discussion and Analysis of Financial Conditions and Results from Operations contain information available to July 27th, 2009.

Non-GAAP Measures

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

Overview of Business

Wavefront specializes in designing and developing leading-edge techniques for oil well stimulation, secondary oil recovery and environmental groundwater remediation.

The Corporation pioneered the development of a unique technology that generates powerful fluid pulses to momentarily expand the pore structure of rock and soil, which dramatically improves liquid flow in the ground. This pressure-pulse technology creates a highly uniform wave of fluid to "push" oil to extraction wells or distribute treatment chemicals to be in better contact with contaminants. The patented fluid flow process is marketed in the energy sector as PowerwaveTM and in the environmental sector as PrimawaveTM (collectively known as "the technology").

Powerwave transforms low-producing or even abandoned oilfields into profitable reservoirs.

For environmental applications, *Primawave* is a highly effective method for introducing treatment remedies into contaminated underground sites, even in locations that are difficult to access.

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

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

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

OVERALL RESULTS FROM OPERATIONS FOR THE NINE MONTHS ENDED MAY 31, 2009

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

During the nine months ended May 31, 2009, the Corporation has not been immune from the current recession in North America and the challenging conditions plaguing the global economy. Significant weakness in oil prices beginning in October 2008 has had a negative impact on the rate of Powerwave adaptation with new clients and slowed the implementation of signed agreements. Though Powerwave has provided significant production results and is economical at even the lowest oil price (WTI spot price of \$US 30.28 on December 23, 2008) it is believed that oil companies chose to delay implementing improved oil recovery strategies such as Powerwave until seeing higher commodity prices. Additionally, oil company budget cuts on new drilling and equipment purchases, especially in Alberta where a disfavoured royalty payment structure was implemented, brought about a steep decline in revenue for Wavefront Sand Pumps and Rentals Ltd.

In the environmental sector the continued weak economy in the United States postponed environmental groundwater remedial projects where Primawave was to be utilized. The net effect of the current recession and global economic condition for Wavefront's business is lower than anticipated revenues. The overall oilfield services sector has been hit hard in the current economy. For comparative purposes Halliburton reported its second quarter, ended June 2009, revenues to be off by 37% over second quarter 2008. BJ Services reported its third quarter revenue ending June 30, 2009 to be off by 41% over the comparative fiscal 2008 period, and announced a reduction in their workforce by twenty percent.

The moderate resurgence in oil prices in the later part of the period and into June 2009 renewed marketing activity related to Powerwave with the list of new prospective users who contacted the Corporation seeking licensing proposals growing. At this time the Corporation has introduced Powerwave to approximately 400 prospective clients across the globe. Of significant note, subsequent to the period were commercial efforts in Mexico and Indonesia where the Corporation and its distribution representatives commenced the process of negotiating and securing Powerwave installations at multiple locations in each country.

During the period the Corporation confirmed, with its longest running Alberta-based international oil and gas producer, results from the pre-commercialization project on-going since September 2007. As shown in Figure 1 incremental oil production resulting from Powerwave approximated 34,500 barrels or about an 86% improvement in oil production for the three injection patterns.

Figure 2 shows the particulars from a production well in flood pattern one. A very strong response is seen in the oil cut (percentage of oil per barrel of produced fluid), with a value of 0.4% prior to the Powerwave and peaking at 13% with Powerwave. The reduced decline (red line) seen after Powerwave implementation is clearly evident.

Figure 3 presents the historical and Powerwave oil rate as well as gross fluid rate. The impact of Powerwave on oil rate is well defined. The oil cut response and the flattening, or reduction, in oil decline rate (percentage) demonstrates that the pre-commercialization project is both a technical and economic success and the client should be able to book more positive reserves.

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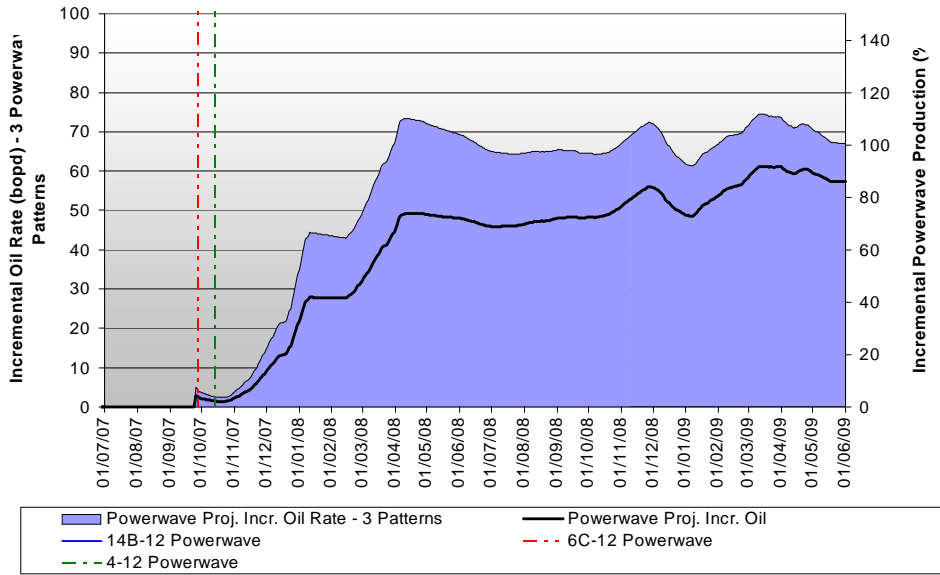


Table 1: Incremental Powerwave Oil Production

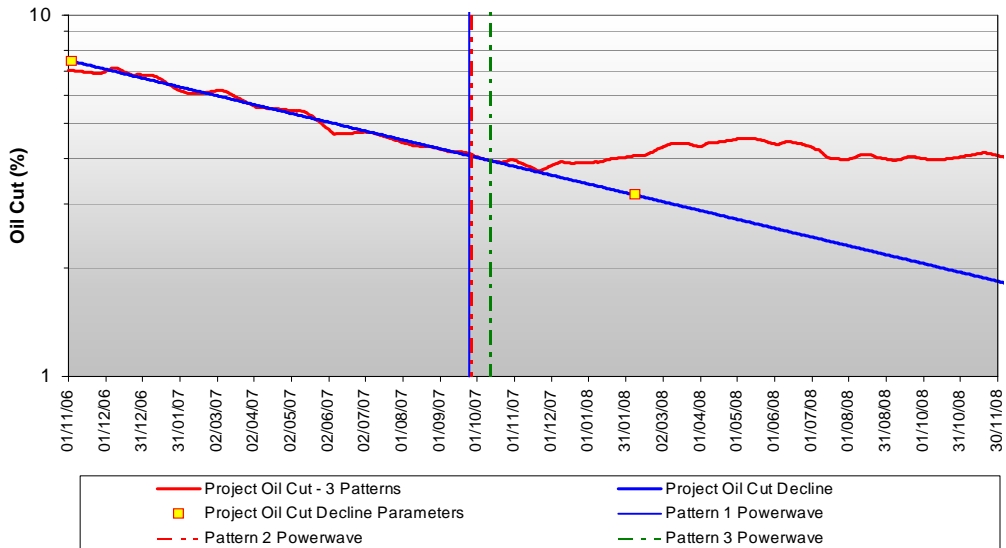


Table 2: Improved Oil Cut Related to Powerwave

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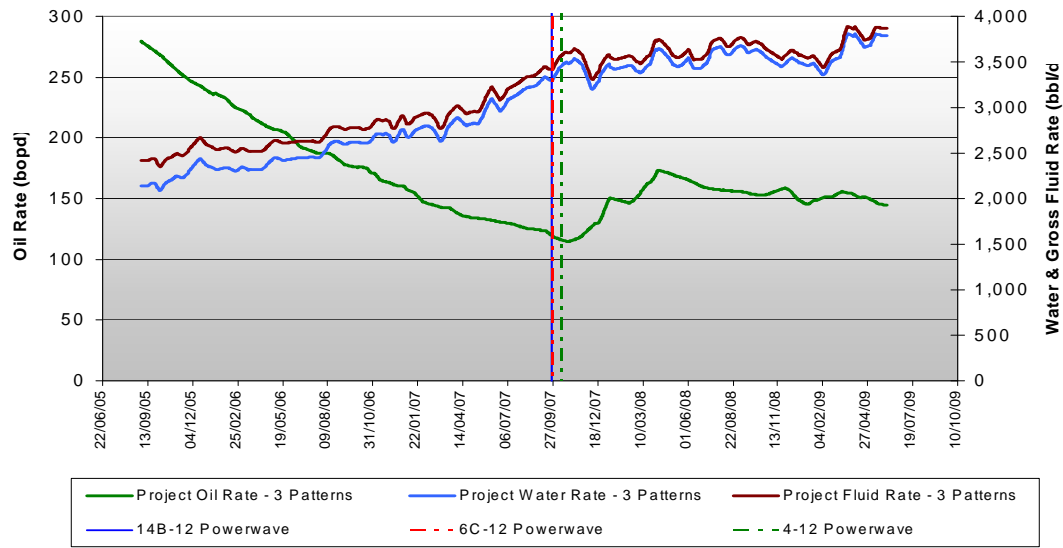


Table 3: Historical and Powerwave Oil Rate and Gross Fluid Production

Given the above noted positive results, Wavefront has met with senior management of the Alberta-based client to discuss further applications and commercialization of Powerwave. Though Powerwave has provided significant production results and is economical at even the lower than current commodity prices, the client has indicated that further installation of Powerwave in the oilfield in question and at other oilfields are planned in calendar 2010.

In addition to the above positive results, during the reporting quarter, Wavefront was able to expand Powerwave into two new areas of use: an offshore platform and CO₂ flood. In California, Powerwave was implemented on an offshore platform in three injection wells in an effort to increase injection rate. These installations represented the first offshore installations of Powerwave and significant opportunity for the corporation given one quarter of all oil is produced from offshore platforms in the Gulf of Mexico, Persian Gulf, North Sea, and West Africa.

Powerwave was also used in helping drive a CO₂ flood, where the client reported an injection rate increase of 27 percent over historical rates. Prior to implementing Powerwave in the Corporations Powerwave simulator predicted a potential CO₂ injection increase of approximately 30 per cent. The ability to accurately predict potential Powerwave injection benefits added to the clients' confidence in Wavefront's ability to meet operational objectives. Based on the positive results reported, the client plans to add further Powerwave systems.

As well during the quarter, in Central Texas, a client expanded an existing Powerwave program owing to improved injection rates obtained on initial installations. Injection rates prior to Powerwave were 40 barrels of water per day at 1000 psi injection pressure. After implementing Powerwave water injection rates increased to 240 barrels of water per day at 800 psi injection pressure.



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In all of the above cases the primary driver for implementing Powerwave, was the technologies ability to successfully increase injection rates. A key to oil recovery in a flooding operation (water, CO₂, etc.) is the ability to inject fluid to drive oil to production wells. In simple terms, if the rate of injection cannot be maintained to keep the oil reservoir volume balanced where for every barrel of fluid withdrawn one barrel of fluid needs to be re-injected, production decline will occur. In addition, if the flood is in its infancy the reservoir needs to be "recharged" to obtain a production response. In this case, increasing the rate of injection (below the fracturing pressure of the reservoir) will shorten the time of recharge and improved production rates will be seen earlier in offsetting producing wells. As demonstrated, Powerwave has achieved operational objectives of improving injection rates.

Acquisition of Predator Pumps Ltd.

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. Total consideration for the Acquisition was announced at \$750,000 (the "Purchase Price") to be payable in cash. The originally announced Purchase Price was reduced by \$49,324 due to current asset level maintenance conditions which the vendors did not maintain. The Acquisition agreement also contemplates contingent consideration of \$150,000, also payable in cash, subject to the maintenance of certain sale performance conditions one year from the closing of the Acquisition. Subsequent to the Acquisition, the Corporation repaid Predator's long-term indebtedness totaling \$111,807.

Predator was involved in the same tubing pump and bailer markets as Wavefront Sand Pumps & Rentals Ltd. The Acquisition of Predator was completed in an effort to expand the Corporations asset base of tubing pumps and bailers and to gain greater market presence, with an objective of expanding the market of the tubing pump and bailer beyond the local western Canadian market.

Consolidated Results – nine months ended May 31, 2009

Revenues

Revenues for the nine months ended May 31, 2009 were \$1,078,825. This is a decrease of \$232,288 over the comparative period in 2008 that recognized revenues of \$1,311,113. The decrease in revenues is primarily a result of the current recession and weakness in commodity prices that has had a negative impact on the rate of Powerwave adaptation with new clients and more importantly delayed the implementation of signed Powerwave agreements. These two factors have also lead to a sharp decline in the tubing pump and bailer product lines. Further the continued weak economy in the United States has also postponed environmental groundwater remedial projects where Primawave was to be utilized.

During the period ended May 31, 2009, the Corporation recognized production and operator revenues of \$99,137 (2008 - \$137,118) related to the Rogers County and Rodney South ventures. Of the production and operator revenue recognized, \$27,952 (2008 - \$46,262) relates to the Rodney South venture, whereas \$71,185 (2008 - \$90,856) relates to the Rogers County venture.

Declines in production revenue attributed to Rodney South relate to water fouling problems that the oilfields operator encountered. The water fouling resulted in decreased production and increased repairs and maintenance costs, which had an affected of creating operating losses for several months (see "Capital Resources" on page 11 for further discussion on how the net royalty revenue from Greentree Gas & Oil Ltd. ("Greentree") is determined).



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Although the Corporation has maintained fewer production wells in Rogers County, production, based on the current infrastructure is relatively in line with expectations.

During the nine month period ended May 31, 2009 service revenue and royalties totalled \$711,967 compared to the \$854,848 for the comparative period. During the reporting period revenues related to the tubing pump and bailer product lines, despite the Predator Acquisition, decreased by \$170,774 from \$602,833 in 2008 to \$432,059 in the current quarter. The decline in the tubing pump and bailer product lines however, was offset with increased Powerwave and Primawave revenues.

During the reporting period, the Corporation has continued to provide new Powerwave and Primawave customers with discounts and other inducements in order to expedite the installation so that the Corporation can initiate revenue recognition. The discounts and inducements ranged from overall pricing discounts to without charge initial periods to the inclusion of installation, such inducements were based on the contract terms and potential number of Powerwave system that could be installed in a particular oilfield. Regardless of the inducement, the Corporation recognizes revenue and the associated installation expenses equally over the term of the contracts.

Interest revenue relates to interest generated from the investment of cash from private placements that closed on December 24, 2007 and January 31, 2008 and related warrant exercises. Interest revenue for the reporting period decreased by \$51,426 to \$267,721 with the declining principal balance and lower interest rates.

Geographically, \$894,196 (2008 – \$1,219,258) in revenue was generated in Canada, and \$184,629 (2008 - \$91,855) from the USA and abroad.

Direct Expenses

Direct expenses relate to service revenue and royalties revenue, which is associated with the delivery of Powerwave and Primawave, and tubing pumps, bailer and surge cup rentals. Direct expenses decreased to \$330,041 (or 46% of gross services and royalty revenue) compared to \$357,675 (or 42% of gross service and royalty revenues) for comparative reporting period. The direct expenses principally relates to the tubing pump and bailer product lines and any installation costs related to Powerwave that the Corporation choose to incur as a strategy to increase adaptation of implementation rates.

Direct expenses related to Powerwave and Primawave are a result of the Corporation's decision to install the systems to ensure operational results, and increase adaptation of implementation rates. The Powerwave and Primawave business model is not necessarily to provide installation services; as such, future direct cost may decrease as the Corporation's product mix moves more to Powerwave and Primawave and away from installations. Direct expenses related to the tubing pumps, bailer and surge cup rentals include project consumables and labour and are expected to remain constant.

Other Expenses

Other expense for the period amounted to \$6,751,915, compared to \$4,295,021 in 2008. The increase in operating expenses of \$2,456,894 was principally a result of the following changes:

- i) During the first three months of the reporting period there was a precipitous drop in commodities prices, which in general has affected the valuation of resource properties across the energy sector. The drop in commodity prices was viewed by the Corporation as a triggering event, causing it re-assess the fair value of the Corporation's oilfield assets, i.e., Rogers County mineral rights and associated oilfield assets, i.e., the Royalty Rights in South

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Rodney oilfield. As a result, the Corporation realized a non-cash write-down of its Rogers County oilfield property, plant and equipment and non-participation amounts by \$1,133,936 and the Royalty Rights by \$555,212 (see Assets and Liabilities, and Transaction with Related Parties for further discussion).

- ii) General and administrative expenses, totalled \$3,125,637, an increase of \$677,381 over the comparative period in 2008. The following table provides comparative details for the general and administrative expenses.

	May 31, 2009	May 31, 2008
	\$	\$
Wages, employee benefits, and contract employees	1,822,827	1,366,284
Office	552,650	358,453
Professional fees	288,496	386,487
Vehicle	157,404	139,061
Repairs and maintenance	157,303	105,024
Consultants	140,080	89,957
Miscellaneous	4,715	2,990
Bad debts	2,162	-
	3,125,637	2,448,256

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

- An increase in “wages, employee benefits, and contract employees” expense of \$456,543 that can be attributed to an increase in wage rates and increases employee numbers in the prior quarters of the current fiscal year. As at May 31, 2009, the Corporation employed 21 full-time employees and 4 casual / part-time employee (May 31, 2008 - 27 full-time employees and 1 casual / co-op student employee). As with other companies in the oil industry, the Corporation decreased employees in non-revenue generating capacities in favour of maintaining sales personnel to maintain any commercialization traction that the Corporation has obtained in the recent year.

During the nine months ending May 31, 2009, the Corporation undertook certain cost cutting measures to ensure that its labour force was in line with the current economic environment. As such, labour costs, excluding any severance paid, are expected to lower for the remainder of the fiscal year or till such time that the economic environment changes.

- An increase in “office” expenses of \$194,197 relates to the establishment of a new sales office in Calgary, Alberta, increase insurance rates, and the establishment of test facility for Powerwave and Primawave systems in Edmonton, Alberta. The later of which required the Corporation to increase the amount of warehouse space being leased.
- An increase in “consultant” expenses of \$50,123 relates to the hiring of sales consultants and engineering consultants that were assisting in the development of additional Powerwave tools designs.
- An increase in “repairs and maintenance” expenses of \$52,279 that is attributed to maintaining the existing number of production oil wells in the Rogers County venture.



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- Offsetting the above noted increases was a decrease in "professional" expenses of \$97,991.
- iii) An increase of "stock-based compensation" expense of \$310,454 that relates to increase volatility of the Corporation's shares and the issuance of additional incentive stock options.
- iv) An increase in "selling, marketing, and travel" expense of \$92,558 which relates to increased activity and resulting increase in the size of the Corporation's Powerwave and Primawave sales force and operating at multiple office locations across Canada and the United States. Additionally the Corporation has been pursuing the use of agents for Powerwave in Southeast Asia, Europe and Mexico, and for Primawave in Southeast Asia and Europe.
- v) Additional other operating expenses resulted in expense decreases amounting to \$302,429, and relate mainly to the following:
- A decrease in "amortization, depreciation, depletion and accretion" expenses of \$41,784. The decrease principally relates to computer software purchases with respect to the system conversion in 2008 being fully amortized early in the 2009.
 - A decrease of "listing and public company fees" of \$103,748 which relates to the associated expenses related to level of general public market activity as result of the volatility of the financial markets. It is expected that the expenditure levels will increase in forthcoming quarters to improve secondary market awareness of the Corporation.

Net Loss and Loss Per Share

The basic and diluted net loss, for the period ended May 31, 2009 was \$6,003,131 (\$0.08 per share), compared to \$3,341,583 (\$0.06 per share) for the comparative period of May 31, 2008. The extraordinary non-cash write-down of property, plant and equipment and intangible assets for the period ended May 31, 2009 totalled \$1,689,148 (representing a basic and diluted loss per share of \$0.02 per share).

The basic and diluted net loss, before the extraordinary non-cash write-downs of property, plant and equipment and intangible assets, for the period ended May 31, 2009 was \$4,313,983 (\$0.06 per share), compared to \$3,392,244 (\$0.06 per share) in 2008. The increase in net loss is attributed to a focus on the commercialization of the Corporations' core Powerwave and Primawave technologies, and lower than anticipated revenues brought on by macroeconomic factors beyond the Corporation's control.

Consolidated Results – three months ended May 31, 2009

Revenues

Total revenues for the three months ended May 31, 2009 were \$380,066, a decrease of \$303,943 from the revenues recognized in the corresponding period of 2008 of \$684,009. The decrease of revenues of approximately 44% is primarily a result a result of the current recession and weakness in commodity prices that has had a negative impact on the rate of Powerwave adaptation with new clients and more importantly delayed the implementation of signed Powerwave agreements. These two factors have also lead to a sharp decline in the tubing pump and bailer product lines. Interest income also declined by \$136,196 to \$37,021 that relates to declining principal balance and lower interest rates.



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Direct Expenses

Direct expenses related to revenue decreased \$46,969 to \$105,113 (or 37% of gross services and royalty revenue). The current period's decrease in direct costs relates to the decline in the tubing pump and bailer product lines.

Other Operating Expenses

Other operating expense for the period amounted to \$2,038,404, compared to \$1,727,700 in 2008. The increase in operating expenses of \$310,704 was principally a result of the following changes:

- i. General and administrative expenses totalling \$1,154,668 an increase of \$201,753 from the expenses recognized in the corresponding three month period ending May 31, 2008 of \$952,915 comprised the largest increase in other operating expenses. The following table provides comparative details for the general and administrative expenses.

	May 31, 2009	May 31, 2008
	\$	\$
Wages, employee benefits, and contract employees	600,330	518,478
Office	252,337	125,777
Professional fees	109,833	149,091
Repairs and maintenance	84,438	37,987
Vehicle	56,343	58,902
Consultants	48,325	62,729
Miscellaneous	2,710	(49)
Bad debts	352	-
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	1,154,668	952,915

- ii. An increase in "stock-based compensation" expense of \$99,145 that relates to increase volatility of the Corporation's shares and the insurance of additional incentive stock options.
- iii. The other major increase in expenses for the three months ended May 31, 2008 was an increase in "foreign exchange" of \$134,720 resulting from the fluctuations in the US exchange rate.

Net Loss and Loss Per Share

The net loss for the three months ended May 31, 2009 was \$1,763,451 (\$0.02 per share), compared to \$1,195,773 (\$0.02 per share) in 2008.



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Seasonality of Operations

Certain 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 however, is focusing 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.

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total assets decreased by \$5,013,223 to \$26,915,504 from the prior year end. The decrease was primarily due to a decrease of \$5,263,701 in cash that was used to fund working capital. Assets were also affected by the Corporation's Acquisition of Predator (which increased its property, plant and equipment by \$213,490), the manufacturing of Powerwave and Primawave systems to meet the tooling requirements of the agreements that the Corporation entered into, and its decision to write-down its oilfield related property, plant and equipment and Royalty Rights.

During the reporting period ended May 31, 2009, accounts receivable decreased by \$382,187, while prepaid expenses increased by \$194,888. These changes reflect timing differences in collecting receivables and an increase is a direct result of the Corporation recognizing Powerwave revenue and the associated installation expenses equally over the term of the contracts. This decision has the affect of deferring the installation costs, which are classed to prepaid expenses until they are expensed to direct costs.

Additional changes to assets include the increase in goodwill by \$410,853 that relates to the Acquisition of Predator (see "Acquisition of Predator Pumps Ltd." on page 3 for further discussion).

As at May 31, 2009 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. During the first quarter ended November 30, 2008, there was a material decline in commodity prices, so the Corporation recorded a write-down of its Rogers County oilfield related assets and non-participation amounts by \$1,133,936 (August 31, 2008 – \$2,095,242) (see "Transaction with Related Parties" for further discussion). No write-down was provided for in the third quarter ended May 31, 2009.

The Corporation also recorded a write-down of its Royalty Rights associated with the South Rodney Farm-in Agreement of \$555,212 (August 31, 2008 – \$nil) in the first quarter ended November 30, 2008. No write-down was provided for in the third quarter ended May 31, 2009.

Given the volatility in the financial and commodity markets, management choose to use the quoted market values of commodity prices as the most indicative benchmarks for oil prices over the life of the assets. The calculated amounts to be written down, and the resulting carrying value of the Rogers County and the South Rodney Farm-in assets, may



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not be indicative of the actual values. Additionally, given the volatility in the financial and commodity markets, the Rogers County and the South Rodney Farm-in assets may be subject to future write-downs.

The Corporation holds a one hundred (100%) percent working interest in an aggregate of 1,679 acres, consisting of multiple oilfield leases in Young County, Texas that was acquired in fiscal 2007 for total consideration of \$179,868. Additionally, during fiscal 2007, the Corporation acquired a fifty (50%) percent working interest in an aggregate of 500 acres, located in north central Taylor County, Texas for total consideration of \$39,768.

The acquisitions of oilfield leases were originally to allow the collection of data, over a range of different geological conditions that can be audited by potential third party Powerwave customers. As data is provided for by third party clients and there is a greater adaptation of the Powerwave technology, the strategic importance of the Corporation's oilfield assets diminishes.

Given the current economic condition in western Canada, the weakness in commodity prices, and the performance of tubing pump and bailer product lines, the goodwill associated with the Top Gun Sand Pumps & Rentals Ltd. acquisition, that closed on March 1, 2007, may be subject to future write-downs.

Total liabilities increased by \$109,411 from the prior year-end to \$1,588,035. This was principally due to increases in accounts payable and accrued liabilities by \$222,034 to \$1,290,593 offset by the repayment of the shareholder loans of \$100,392

Liquidity

As at May 31, 2009, the Corporation had working capital of \$16,444,849. The Corporation believes that its working capital position will decline despite having a significant increase in the number of Powerwave contracts in-hand, as Wavefront cannot control or dictate the installation schedules. It is believed that, as each client experiences positive Powerwave results, further uptake of the technology will require the Corporation to increase its Powerwave inventories.

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

Financings

During the nine month period ended May 31, 2009, the Corporation did not undertake any financings. However, 695,000 incentive stock options were exercised during the period ended May 31, 2009, at prices ranging from \$0.44 to \$0.55 resulting in gross proceeds of \$337,400. Of the incentive stock options that were exercised 585,000 were exercised by directors of the Corporation for gross proceeds of \$282,400.

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 to develop Greentree's Rodney South oilfield lease. Under the Farm-in Agreement the Corporation supplied its Powerwave technology and funded up to \$2.25 million for initial capital expenditures and working capital requirements.



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Additional development costs are expected to be financed from cash from operations. Greentree acts as the Operator of the lease and contributed the petroleum leases, existing seismic and geological data, and the use of its existing field facilities. Greentree also provides its field maintenance staff, administrative, and office support staff. In consideration for each party's contributions, cash flows from operating activities are allocated 70% and 30% to the Corporation and Greentree respectively, until payout of the Corporation's initial \$2.25 million capital investment.

Subsequent to payout, cash flow from operating activities will be allotted 50% to the Corporation and Greentree.

As at 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 the remaining balance of up to \$72,389 (August 31, 2008 – \$81,166). The related asset is classified as finite life intangible asset.

The acquisition of the fifty (50%) percent working interest in the Taylor County oilfield implies that the Corporation will be responsible for its proportionate share of the oilfield's development costs. To date no costs or development has yet to occur on these leases, but the Corporation is committed, subject to mutual agreement on the development plan, to a maximum of \$1.35 million in development costs for the oilfield. The resulting asset will be a component of oilfield property, plant and equipment.

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

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

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

As of July 27, 2009, there are no amounts owed in respect of the lines of credit and the Corporation had \$15,999,486 of cash on hand. Of the cash on hand, the Corporation has \$15,053,018 in Guaranteed Investment Certificates ("GIC") on deposit with TD Canada Trust, a Canadian chartered bank. The investment in the GIC is for a one year term, maturing on March 1, 2010, with a guaranteed interest rate of 0.85% but with the flexibility of an early cashing options. Credit risk on the GIC investment is linked to the insurance coverage limits as prescribed by the Canadian Deposit Insurance Corporation and that of TD Canada Trust.

CONTRACTUAL COMMITMENTS

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



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As at May 31, 2009	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Shareholder loans	\$ 111,062	\$ 111,062	\$ -	\$ -	\$ -
Operating lease obligations	203,008	35,019	94,932	73,057	-
Greentree Gas and Oil Royalty Rights	72,389	72,389	-	-	-
	\$ 386,459	\$ 218,470	\$ 94,932	\$ 73,057	\$ -

Management is of the opinion that its working capital position of \$16,444,849 as at May 31, 2009 is sufficient to cover its current commitments and operations for the forthcoming fiscal year.

The majority of expenditures related to Greentree Farm-in have been incurred. Management does not expect any further expenditures related to this project in fiscal 2009. All future expenditures and investments in capital assets and projects will be governed by the Corporation's working capital position throughout the year.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

- i) Of the stock options exercised during the nine month period ended May 31, 2009, 585,000 were exercised by directors of the Corporation at prices ranging from \$0.44 to \$0.55.
- ii) 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 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.



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PROPOSED TRANSACTIONS

The Corporation currently has no material transactions outside the normal course of commercializing Powerwave and Primawave.

OUTLOOK

Constrained capital markets associated with the weak economy may present a challenge for companies with large funding requirements and/or short-term borrowing capacity. With limited ability to finance growth, there may be a period of consolidation for smaller and mid-tier production companies. As such the Corporation will continue to focus its marketing efforts of Powerwave with producers whose production exceeds 1,000 barrels per day as well as monitoring client credit worthiness.

Although the implementation of signed Powerwave contracts has been impacted by the lower oil prices the Corporation has yet to see any material cancellations or changes to its current back log of Powerwave contracts and continues to see interest from a varied range of operators. However, economic uncertainty, tightening credit, and budgetary freezes associated with a number of perspective Powerwave clients has resulted in certain decisions to execute Powerwave contracts to be deferred until such time longer term price stability returns to the oil futures market. As mentioned above, though Powerwave has provided significant production results and is economical at even the lowest oil price (WTI spot price of \$US 30.28 on December 23, 2008) it is believed that oil companies may chose to delay implementing improved oil recovery strategies such as Powerwave until seeing higher commodity prices.

The Corporation is confident that the bulk of the current back log of Powerwave contracts will be implemented by the end of calendar 2009 it continues to give guidance that despite Powerwave being economical even at low oil prices it is not immune to the global economic conditions and associated volatility in the commodity markets and as such cannot provide the timing of such implementation.

As a result of the above, the Corporation will continue to focus its efforts for the remainder of fiscal 2009 on the following:

- i) Installing existing and pending the back order of Powerwave projects;
- ii) Expand the use of Powerwave to current clients across the estimated 5,672 injectors in those oilfields currently utilizing Powerwave;
- iii) Expand market penetration of Powerwave and Primawave through a third-party distributorships and certified agents throughout the globe;
- iv) Develop new users in the tubing pump and bailer market beyond the local western Canadian market.

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



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SUPPLEMENTARY INFORMATION

Summary of Quarterly Results

(Three months ended)

	3rd Qtr May 31 '09	2nd Qtr Feb 28 '09	1st Qtr Nov 30'08	4th Qtr Aug 31 '08
Revenue	\$ 380,066	\$ 267,804	\$ 430,955	\$ 441,449
Net Loss	\$ (1,763,451)	\$ (1,544,745)	\$ (2,694,935)	\$ (3,603,596)
Basic and diluted loss per share	\$ (0.025)	\$ (0.022)	\$ (0.038)	\$ (0.052)
Common shares outstanding				
Weighted average shares outstanding	71,513,398	71,467,488	71,386,072	62,035,011
Diluted shares outstanding	72,650,881	72,569,048	71,753,117	62,666,627

	3rd Qtr May 31 '08	2nd Qtr Feb 29 '08	1st Qtr Nov 30'07	4th Qtr Aug 31 '07
Revenue	\$ 684,009	\$ 342,286	\$ 284,818	\$ 467,863
Net Loss	\$ (1,195,773)	\$ (1,127,539)	\$ (1,018,271)	\$ (1,234,352)
Basic and diluted loss per share	\$ (0.016)	\$ (0.021)	\$ (0.021)	\$ (0.028)
Common shares outstanding				
Weighted average shares outstanding	60,004,288	51,920,405	48,572,112	47,937,111
Diluted shares outstanding	60,712,744	52,772,987	49,374,675	48,713,889

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

(2) All amounts in Canadian dollars except share data.

(3) Prior period loss from operations have reclassified 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, 2008.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's critical accounting policies and estimates are the same as disclosed in its audited financial statements, and accompanying MD&A for the year ended August 31, 2008.

CHANGES IN ACCOUNTING POLICIES

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

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International Financial Reporting Standards

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

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

Given the level of information gathering required as part of the process, during the prior fiscal year the Corporation worked with Deloitte & Touche LLP and has substantially completed the awareness stage of the project scoping and planning of an overall IFRS implementation plan. During the reporting period the Corporation with Deloitte & Touche LLP, initiated the detailed review of IFRS 1 – First Time Adoption of IFRS. Throughout the balance of the calendar year the Corporation with Deloitte & Touche LLP, plans to complete the review of all significant areas with the objective of finalizing IFRS accounting policies and calculating IFRS differences in 2010.

FINANCIAL AND OTHER INSTRUMENTS

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

Fair value of financial instruments

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

Credit Risk

Credit risk arises from the potential that counterparty will fail to perform its obligations. The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited as the majority of transactions are with large publicly traded corporations or government organizations dispersed across geographic areas. Credit risk, with

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respect to accounts receivables in Canada and the United States, is also limited due to the Corporation's credit evaluation and cash management processes. The Corporation maintains an Export Development Canada insurance policy on all foreign receivables. 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 South Rodney Royalty Rights.

Foreign currency risk

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

Interest rate risk

The Corporation is exposed to interest rate risk as a result of interest receivable affected by changes in interest rates. The Corporation does not use any derivative financial instruments to reduce its exposure to interest rate risk.

Commodity price risk

The Corporation is exposed to commodity price risk as a result of the fair value of future cash flows of financial instruments will fluctuate because of changes in commodity oil and gas prices. Production revenues, production over-riding royalties and Powerwave license fees based on producer production revenues will be affected by the changes in the oil and gas prices. The Corporation does not use any derivative financial instruments to reduce its exposure to commodity price rate risk.

CONTROLS AND PROCEDURES

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

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



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- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

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

FORWARD-LOOKING INFORMATION

Certain statements contained herein regarding Wavefront and its operations constitute "forward-looking statements" within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations or future performance of Wavefront and or any of its subsidiaries, as described in the Management Discussion and Analysis above, are "forward-looking statements". Statements of this type are contained in this report, including the discussion of future conditions under the heading "Liquidity and Capital Resources" and expectations under the heading "Outlook". In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. We caution that such "forward-looking statements" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such material factors include fluctuations in the acceptance rates of Wavefront's Powerwave and Primawave Processes, 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. For a more detailed description of these risks, and of other risks to which Wavefront is subject, please see the "Risks and Uncertainties" section in our Annual Report for the year ended August 31, 2008 incorporated by reference herein. In determining Wavefront's forward-looking statements, Wavefront considers material factors including assumptions and expectations about: customer demand and adaptation rates for Wavefront's products; commodity prices and interest and foreign exchange rates; and the availability and cost of inputs, labour and services, patent, technology and competitive risk. These risk factors and material factors are not intended to represent a complete list of the factors that could affect Wavefront; please see other factors that are described in further detail in Wavefront's continuous disclosure filings, from time to time, and available on SEDAR at www.sedar.com.

The forward-looking statements contained herein represent Wavefront's expectations at July 27, 2009, and, accordingly are subject to change after such date. Except as may be required by law, Wavefront does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time.

ADDITIONAL INFORMATION

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