

Unaudited Condensed Consolidated Interim Financial Statements of

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Three and nine months ended May 31, 2017 and 2016

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company is disclosing that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the periods ended May 31, 2017 and 2016.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Financial Position
As at May 31, 2017 and August 31, 2016
(Canadian dollars)
(Unaudited)

| | <u>Note</u> | <u>May 31,</u> <u>2017</u> | <u>August 31,</u> <u>2016</u> |
|--|-------------|-------------------------------|----------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | \$ 2,916,226 | \$ 5,575,995 |
| Trade and other receivables | | 1,266,668 | 444,291 |
| Inventories | | 205,508 | 183,340 |
| Prepaid expenses and other current assets | | 69,214 | 43,538 |
| | | <u>4,457,616</u> | <u>6,247,164</u> |
| NON-CURRENT ASSETS | | | |
| Deposits | | 24,150 | 25,359 |
| Property, plant and equipment | 4 | 1,549,720 | 1,883,560 |
| | | <u>\$ 6,031,486</u> | <u>\$ 8,156,083</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Trade accounts payable and accrued liabilities | | \$ 892,262 | \$ 609,102 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 5 b | 66,438,909 | 66,438,909 |
| Share based payment reserve | 5 d | 9,320,630 | 9,025,103 |
| Accumulated other comprehensive income | | 591,454 | 574,109 |
| Deficit | | (71,211,769) | (68,491,140) |
| | | <u>5,139,224</u> | <u>7,546,981</u> |
| | | <u>\$ 6,031,486</u> | <u>\$ 8,156,083</u> |

The accompanying notes are an integral part of these condensed consolidated interim financial statements

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Net Loss and
Comprehensive Loss

Three and nine month periods ended May 31, 2017 and 2016

(Canadian dollars)

(Unaudited)

| | Note | For the three months ended | | For the nine months ended | |
|---|------|----------------------------|---------------------|---------------------------|-----------------------|
| | | May 31, 2017 | May 31, 2016 | May 31, 2017 | May 31, 2016 |
| Revenue | | \$ 525,371 | \$ 794,138 | \$ 1,640,103 | \$ 2,240,682 |
| Cost of sales | | 204,735 | 318,266 | 586,122 | 930,131 |
| General and administrative | | 953,280 | 763,555 | 2,951,682 | 2,559,099 |
| Sales and marketing | | 172,491 | 158,106 | 494,602 | 414,483 |
| Amortization and depreciation | 4 | 92,573 | 140,145 | 259,950 | 403,043 |
| Research and development | | 39,641 | 62,084 | 108,921 | 136,972 |
| | | 1,462,720 | 1,442,156 | 4,401,277 | 4,443,728 |
| OPERATING LOSS | | (937,349) | (648,018) | (2,761,174) | (2,203,046) |
| OTHER (EXPENSES) INCOME | | | | | |
| Financing costs | | (278) | (30,013) | (1,599) | (13,395) |
| Financing income | | 15,486 | 15,394 | 42,144 | 47,103 |
| | | 15,208 | (14,619) | 40,545 | 33,708 |
| NET LOSS | | (922,141) | (662,637) | (2,720,629) | (2,169,338) |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Items that may be reclassified subsequently to net loss | | | | | |
| Translation (loss) gain on foreign operations | | 10,000 | (116,584) | 17,345 | (77,828) |
| COMPREHENSIVE LOSS | | \$ (912,141) | \$ (779,221) | \$ (2,703,284) | \$ (2,247,166) |
| WEIGHTED AVERAGE NUMBER OF SHARES | | | | | |
| Basic and diluted | 6 | 82,956,240 | 82,956,240 | 82,956,240 | 82,956,240 |
| LOSS PER COMMON SHARE | | | | | |
| Basic and diluted | 6 | \$ (0.01) | \$ (0.01) | \$ (0.03) | \$ (0.03) |

The accompanying notes are an integral part of these condensed consolidated interim financial statements

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of
Changes in Shareholders' Equity
Three and nine month periods ended May 31, 2017 and 2016
(Canadian dollars)
(Unaudited)

| | Share capital | Share based payment reserve | Accumulated other comprehensive (loss) income | Deficit | Total |
|--|------------------|--------------------------------|---|-----------------|---------------|
| Balance at August 31, 2015 | 66,438,909 | 8,958,915 | 567,456 | (65,728,939) | \$ 10,236,341 |
| Net Loss | - | - | - | (1,506,701) | (1,506,701) |
| Translation gain on foreign operations | - | - | 38,756 | - | 38,756 |
| Recognition of shared-based payments | - | 13,384 | - | - | 13,384 |
| Balance at February 29, 2016 | 66,438,909 | 8,972,299 | 606,212 | (67,235,640) | \$ 8,781,780 |
| Net Loss | - | - | - | (1,255,500) | (1,255,500) |
| Translation gain on foreign operations | - | - | (32,103) | - | (32,103) |
| Recognition of shared-based payments | - | 52,804 | - | - | 52,804 |
| Balance at August 31, 2016 | 66,438,909 | 9,025,103 | 574,109 | (68,491,140) | 7,546,981 |
| Net Loss | - | - | - | (2,720,629) | (2,720,629) |
| Translation loss on foreign operations | - | - | 17,345 | - | 17,345 |
| Recognition of shared-based payments | - | 295,527 | - | - | 295,527 |
| Balance at May 31, 2017 | \$ 66,438,909 | \$ 9,320,630 | \$ 591,454 | \$ (71,211,769) | \$ 5,139,224 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Cash Flows
Nine month periods ended May 31, 2017 and 2016
(Canadian dollars)
(Unaudited)

| | <u>Note</u> | <u>May 31,</u> <u>2017</u> | <u>May 31,</u> <u>2016</u> |
|---|-------------|-------------------------------|-------------------------------|
| OPERATING ACTIVITIES | | | |
| Net loss | | \$ (2,720,629) | \$ (2,169,338) |
| Items not affecting cash | | | |
| Share-based payments | | 295,527 | 16,846 |
| Amortization and depreciation | 4 | 259,950 | 414,483 |
| Loss on disposal of property, plant and equipment | | 34,027 | 13,389 |
| Interest expense | | 1,599 | 1,734 |
| Impact of foreign translation | | (17,478) | (66,785) |
| | | (2,147,004) | (1,789,671) |
| Interest paid | | (1,599) | (1,734) |
| Net change in non-cash working capital items | | (539,385) | 950,931 |
| Cash used in operating activities | | (2,687,988) | (840,474) |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 4 | (41,618) | (39,799) |
| Proceeds on disposal of property, plant and equipment | | 37,427 | 1,668 |
| Cash used in investing activities | | (4,191) | (38,131) |
| Foreign exchange gain (loss) on cash held in foreign currency | | 32,410 | (10,538) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (2,659,769) | (889,143) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | | 5,575,995 | 6,706,591 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | | \$ 2,916,226 | \$ 5,817,448 |
| CASH AND CASH EQUIVALENTS | | | |
| Cash denominated in CDN | | \$ 2,843,272 | \$ 4,350,743 |
| Cash denominated in USD | | 54,040 | 1,119,622 |
| Foreign currency translation amount | | 18,914 | 347,083 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | | \$ 2,916,226 | \$ 5,817,448 |

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
Three and nine months ended May 31, 2017 and 2016
(Canadian dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Wavefront Technology Solutions Inc.'s ("Wavefront" or the "Company") business operates in a market where there is increasing demand to bring economically beneficial solutions to exploration and production companies (or "E&P" companies) to maximize oil and gas productivity. Central to Wavefront's broad portfolio of technologies is the fluid delivery process, Powerwave™. Powerwave is an effective method for augmenting Improved Oil Recovery ("IOR") and/or Enhanced Oil Recovery ("EOR") to increase ultimate oil recovery as well as increasing well productivity through more effective single well stimulation.

The Company is incorporated under the Canada Business Corporations Act. Its shares are listed on the TSX Venture Exchange under the symbol of WEE and also trade on the OTCQX International under the symbol of WFTSF.

The address of the registered head office of the Company is 5621 – 70 Street NW, Edmonton, Alberta. The Company is domiciled in Canada.

2. STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies under International Financial Reporting Standards ("IFRS") for interim financial information. These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements for the fiscal year ended August 31, 2016, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were applicable from September 1, 2016, as described in the unaudited condensed consolidated interim financial statements for the period ended May 31, 2017.

These unaudited condensed consolidated interim financial statements were approved for issue on July 27, 2017.

a) New standards issued but not adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

Statement of Cash Flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows". The amendments will require entities to provide disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments are effective for annual periods

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
Three and nine months ended May 31, 2017 and 2016
(Canadian dollars)
(Unaudited)

beginning on or after January 1, 2017, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Income Taxes (“IAS12”)

In January 2016, the IASB issued amendments to IAS 12 “Income Taxes”. The amendments were related to the recognition of deferred tax assets for unrealized losses, which clarified how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Share-based Payments (“IFRS 2”)

In June 2016, IASB issued amendments to IFRS 2 “Share-based Payments”. The amendments clarified the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with a net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Financial Instruments: Classification of Measurement (“IFRS 9”)

IFRS 9, Financial Instruments, will replace IAS 39, Financial Instruments: Recognition and Measurement. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Revenue from Contracts with Customers (“IFRS 15”)

In April 2016, the IASB issued amendments to IFRS 15 “Revenue from Contracts with Customers”. The amendments clarified three aspects of the standard (identifying performance obligations, principal versus agent considerations and licensing) and provided some transition relief for modified contracts and completed contracts. The amendments are effective for annual periods beginning on or after January 1, 2018 (same effective date as IFRS 15 itself), with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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(Canadian dollars)
(Unaudited)

Leases (“IFRS 16”)

IFRS 16, *Leases*, was issued by the IASB in January 2016, and will replace International Accounting Standards (“IAS”) 17, “Leases”. IFRS 16 will bring most leases on-balance sheet for leases under a single model, eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The new standard effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 has also been applied. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

3. IMPAIRMENT

As at May 31, 2017, the Company assessed impairment indicators for the Company’s cash generating units (“CGUs”) and concluded that apart from a prior year’s impairment indicators that no impairment indicators were present.

4. PROPERTY, PLANT AND EQUIPMENT

| As at May 31, 2017 | Tools and equipment | Computer, automotive and office equipment | Leasehold improvements | Total |
|---------------------------------|---------------------------|--|---------------------------|--------------|
| Cost | | | | |
| Balance at August 31, 2016 | \$ 4,409,213 | \$ 934,990 | \$ 862,536 | \$ 6,206,739 |
| Additions | 41,278 | - | 340 | 41,618 |
| Transfers to inventory | (102,178) | - | - | (102,178) |
| Disposals | (194,462) | (48,650) | - | (243,112) |
| Impact of foreign translation | 7,318 | 6,893 | - | 14,211 |
| Balance at May 31, 2017 | 4,161,169 | 893,233 | 862,876 | 5,917,278 |
| Accumulated depreciation | | | | |
| Balance at August 31, 2016 | (3,130,299) | (788,247) | (404,633) | (4,323,179) |
| Depreciation | (145,616) | (30,491) | (83,843) | (259,950) |
| Transfers to inventory | 55,713 | - | - | 55,713 |
| Disposals | 124,454 | 47,204 | - | 171,658 |
| Impact of foreign translation | (6,531) | (5,269) | - | (11,800) |
| Balance at May 31, 2017 | (3,102,279) | (776,803) | (488,476) | (4,367,558) |
| Net book value | | | | |
| Balance at May 31, 2017 | \$ 1,058,890 | \$ 116,430 | \$ 374,400 | \$ 1,549,720 |

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Notes to the Condensed Consolidated Interim Financial Statements
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Depreciation expense for the nine months ended May 31, 2017 was \$259,950 (May 31, 2016 - \$414,483).

As at May 31, 2017 property, plant and equipment includes tools and equipment under construction of \$295,434 (August 31, 2016 - \$349,157), which are not being depreciated.

5. SHARE CAPITAL

The Company's authorized and issued share capital is as follows:

a) Authorized share capital

Unlimited common shares without par value

The Company's issued share capital is as follows:

b) Issued common shares

There were no changes in the Company's outstanding common shares, which have the following balances:

| | Number | May 31, 2017 Stated capital |
|------------------------------|------------|-----------------------------------|
| Balance, beginning of period | 82,956,240 | \$ 66,438,909 |
| Balance, end of period | 82,956,240 | \$ 66,438,909 |

c) Stock-based compensation plan

The Company maintains an Employee, Director, Officer and Consultant Stock Option Plan under which the Company may grant incentive stock options for up to 10,771,558 shares of the Company at an exercise price equal to or greater than the market price of the Company's stock at the date of grant. All stock options awarded are exercisable for a period of up to ten years and vest in equal tranches at three month intervals over a period of 18 months.

Movements in stock options during the period

A summary of the status of the Company's Stock Option Plan is presented below:

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Notes to the Condensed Consolidated Interim Financial Statements
Three and nine months ended May 31, 2017 and 2016
(Canadian dollars)
(Unaudited)

| | <u>May 31, 2017</u> | |
|-----------------------------------|---------------------|--|
| | <u>Number</u> | <u>Weighted average exercise price</u> |
| Outstanding, beginning of period | 4,295,000 | \$ 0.27 |
| Granted | 75,000 | 0.35 |
| Expired unexercised | (45,000) | 0.66 |
| Outstanding, end of period | 4,325,000 | \$ 0.27 |

Fair value of stock options granted during the period

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 general and administrative expense with a corresponding increase in share based payment reserve.

During the nine months ended May 31, 2017, the Company incurred \$295,527 (May 31, 2016 - \$16,846) in compensation expense relating to outstanding stock options.

d) Share-based payment reserve

| | <u>May 31, 2017</u> | |
|-------------------------------|---------------------|------------------|
| Balance, beginning of period | \$ | 9,025,103 |
| Share-based payments | | 295,527 |
| Balance, end of period | \$ | 9,320,630 |

6. LOSS PER SHARE

The weighted average number of common shares outstanding for basic and diluted loss per share is 82,956,240 (May 31, 2016 - 82,956,240).

In determining diluted loss per share, the weighted average number of shares outstanding for the period ended May 31, 2017 excluded 436,246 (May 31, 2016 – nil) for stock options eligible for exercise where the average market price of the common shares for the year exceeds the exercise price because the result was anti-dilutive in both periods.

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7. RELATED PARTY TRANSACTION

Expense transaction

The Company entered into a Consulting Agreement with a director of the Company to provide certain services for a monthly fee of US \$5,000 (May 31, 2016 - US \$3,000) per month. During the three and nine months ended May 31, 2017, the Company recorded \$20,220 (May 31, 2016 – \$12,026) and \$59,949 (May 31, 2016 – \$36,080), respectively, in consulting expense, with \$nil (August 31, 2016 - \$nil) included in accounts payable and accrued liabilities.

8. SEGMENTED INFORMATION

The Company is a technology company and operates with one reportable segment that covers all aspects of the Company's business.

Wavefront considers the basis on which it is organized, including the economic characteristics and geographic areas, in identifying its reportable segment. The operating segment(s) of the Company is defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Company is the President and Chief Executive Officer. The Company has one group of similar products due to having a similar underlying technology, class of customers and economic characteristics.

9. SEASONALITY OF OPERATIONS

Oilfield services offered by the Company are seasonal and relate to specific products and the geographical extent to which those products are offered for rent or sale. Wavefront's Powerwave well stimulation and tubing pump and bailer product offerings, in relation to oilfield services, involve the rental and sale of downhole equipment. Due to temperature influences on operating conditions as well as customer budget cycles, the months of December through April tend to have lower activities levels.