

WAVEFRONT

Wavefront Technology Solutions Inc.

- Quarterly Report
- For the first
- Quarter 2018, ended
- November 30, 2017



The following discussion and analysis of financial results should be read in conjunction with the unaudited financial statements and the accompanying notes for the quarter ended November 30, 2017 and 2016 and is based on information available to January 24, 2018. Additional information on Wavefront Technology Solutions Inc.'s (the "Company" or "Wavefront") is available on SEDAR at www.sedar.com.



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

MANAGEMENT'S RESPONSIBILITY

Management has prepared this Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Wavefront Technology Solutions Inc.'s (the "Wavefront" or "the Company") financial results prepared in accordance with International Financial Reporting Standard ("IFRS"). The MD&A primarily compares the unaudited financial results for the first quarter ended November 30, 2017 and 2016. Management has established and maintains an accounting and reporting system supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the IFRS's financial records (also see section titled "Controls and Procedures" page 15). The financial information presented throughout this MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the quarter ended November 30, 2017 and 2016 as well as the audited consolidated financial statements for the period ended August 31, 2017 and 2016 and the related notes.

Unless otherwise indicated, all amounts shown below are in Canadian dollars. Additional information regarding our Company is available on SEDAR, www.sedar.com. Such additional information is not incorporated herein, unless otherwise specified, and should not be deemed to be made part of this MD&A.

The Audit Committee of the Board of Directors, whose members are independent as defined in National Instrument 52-110; and, met to review the condensed consolidated interim financial statements with management, and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors has approved the condensed consolidated interim financial statements on January 24, 2018.

NON-IFRS MEASURES

The Company uses both IFRS and additional and non-IFRS measures to make strategic decisions, to set targets and use in operating activities, and believes that these non-IFRS measures provide useful supplemental information to investors. "Working capital", "gross profit", "gross profit margin", "other technology revenues", and "EBITDA" are measures used by the Company that do not have a standard meaning prescribed by IFRS and may not be comparable to similar measures used by other companies.

- Working capital is calculated by subtracting current liabilities from current assets. Working capital is a non-IFRS measure with no comparable IFRS measure;
- Gross profit is calculated by deducting cost of sales which includes direct costs, such as direct materials, direct labour, travel related expenditures, sub-contractors, shipping, duties and taxes, from gross revenue. Gross profit margin is calculated by dividing the gross profit by gross revenue. Gross profit is a non-IFRS measure with no comparable IFRS measure;
- Other technologies revenue consists of Primawave and Performance Drilling product revenues. Other technologies revenues are non-IFRS measure with the most comparable IFRS measure being revenues, and,
- EBITDA, an acronym for earnings before interest, taxes, depreciation, and amortization, is calculated by adding back all interest, tax, depreciation and amortization to net loss. EBITDA is a non-IFRS measure with the most comparable IFRS measure being net income (loss).



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

Non-IFRS measures are viewed as key information as the chief decision maker, being the President and Chief Executive Officer, regularly reviews such measures in making expense and capital investment decisions.

OVERVIEW OF BUSINESS

As an Oil Field Service ("OFS") provider Wavefront is a leader in dynamic injection methods that improve the distribution of fluids in the ground. Wavefront's core technology, marketed under the brand name, "PowerwaveTM", has proven to increase oil and gas production rates; decrease oil production decline rates; and, reduce well stimulation chemical costs while also increasing post-stimulation production or injection sustainability rates.

Powerwave is marketed in two primary areas to exploration and production companies ("E&P's"):

- i. Well stimulation; and,
- ii. Improved or Enhanced Oil Recovery ("IOR/EOR").

A well stimulation is an operation performed on a well to restore or enhance productivity or improve injection. In most instances a chemical is pumped into the well to stimulate a producing or injection interval. In other cases stimulation is used to remove scales such as calcium carbonate or barite, to rid a well of accumulated waxes on tubulars or to remove sand fill.

IOR/EOR targets stranded or bypassed oil in reservoir which is very difficult to produce due to various physical limitations. The common theme in all IOR/EOR (except acoustic or electromagnetic) projects is the injection of a fluid to mobilize bypassed oil.

OUTLOOK

Since fiscal 2015, corresponding with the significant downturn in global oil and gas activities, Wavefront altered its course; moving from a strong emphasis on the IOR/EOR market having a 6 to 12 month sales cycle to a shorter sales cycle activity associated with single well stimulations. Within that course change the Company launched a strategy that would focus the bulk of its marketing efforts in the Middle East region; more specifically the State of Kuwait ("Kuwait") and the Kingdom of Saudi Arabia ("KSA"). To support these efforts, the Company aligned itself with well established local coil tubing ("CT") service providers that already had an established market share. In Kuwait, Wavefront partnered with Gulf Drilling and Maintenance Co., ("GDMC"), while in KSA the Company partnered with National Petroleum Services ("NPS"). With the support of GDMC and NPS, Wavefront then sought to gain technology approvals from the state-owned oil and gas companies in each country for its suite of Powerwave well stimulation tools and methodologies. These approvals were granted approximately one year ago.

Subsequent to first quarter ended November 2017, Wavefront and Gulf Drilling and Maintenance Co. ("GDMC") entered into an exclusive distribution agreement which provides GDMC sole operational rights to Powerwave in Kuwait for a guaranteed minimum aggregate yearly fee of US \$1 million (i.e., additional technology fees or royalties for the use or resale of Powerwave equipment and services apply in excess of the guaranteed minimum of US \$1 million threshold). The agreement is valid for three (3) years, subject to renegotiation thereafter.

Subsequent to the first quarter ended November 2017 Wavefront announced a seven well Powerwave Odyssey Custom Stimulation ("POCS") campaign in the Kingdom of Saudi Arabia. The original seven well POCS campaign, having an



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

approximate value of US \$250,000 has now been expanded to twelve wells. The Company and its local distribution partner, National Petroleum Services ("NPS") also have two additional POCS slated for completion in a second production asset. It was envisioned that the original, seven well campaign would be completed by the end of February 2018 however with Powerwave Odyssey tool revisions that campaign is nearing completion ahead of schedule. It is anticipated that the execution of the additional seven wells will commence the first week of February.

The Company continues to work with NPS on a roll-out of Powerwave in Algeria, Iraq, and India. While the Powerwave wellbore cleaning tool has been approved for use in Algeria, Wavefront and NPS are in the early stages of arranging pilot projects with operators in Iraq and India. The Company anticipates initial pilot-scale POCS programs to commence in these locals in the third fiscal quarter.

Wavefront has recently commenced Phase II implementation of a Powerwave-driven waterflood in Oman. This IOR/EOR project had originally been delayed due to the poor commodity prices of the past couple of years. Based on Phase I results, Wavefront and its local marketing partner, Marjan Petroleum are very confident that Powerwave will bring the intended positive production outcomes and as such, the national petroleum company will deem Powerwave to be a "commercial product". It is anticipated that this designation will then lead to a longer-term contract where Powerwave can be accessed on a call-out basis without a long sales cycle.

Although in North America the Company has seen heightened interest associated with higher commodity prices spending commitments by oil and gas companies appears decidedly mixed. The Company does anticipate that within its West Texas operations existing clients will increase their activities and new clients will be added. Barring any unforeseen or large decline in oil prices, the Company foresees an upward trend in revenue generation for Powerwave well stimulation in North America, albeit not necessarily, immediately, at historical levels.

Subsequent to the first quarter ended the Company and its local distribution partner, Gesca, commenced the first of a five well POCS campaign with a major international oil and gas producer in Colombia. It is envisioned that a successful POCS campaign will lead to weekly stimulation work with a client that has approximately 3,000 wells.

Overall, the Company remains optimistic about future revenue from all regions and must closely monitor and push on-going opportunities to bring them into fruition. While the revenue picture appears positive, for the balance of fiscal 2018, the Company will continue to be focused on cost discipline, including the deferral of non-essential capital spending and operating expenditures.

OVERALL RESULTS FROM OPERATIONS

Wavefront 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 (such as the nature of the products and service and any bundling or cross use thereof, types of customers, operating segment served within the industry and similarity of segments with other OFS companies, quantitative and qualitative thresholds, etc.) 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.



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

Within this MD&A, however, Wavefront provides additional product level information such as revenues by product line and geography, and gross profit margins by product line, as it believes this additional information is useful supplemental information to investors with respect to the development of the business.

In the first quarter 2018, Wavefront was able to marginally reduce the net loss by \$31,250 to \$836,603 compared to \$867,853 in the comparative quarter. Total revenue for the reporting quarter amounted to \$276,667, a decrease of \$357,850 over the comparative quarter. The decrease in revenues over the comparative period is principally related to the decline of Powerwave stimulation projects in the United States, which decreased by \$209,900 over the comparative period. The Company believes decreased activity in the United States to be an abnormal instance as certain clientele's calendar 2017 budgets were exhausted. As noted above the Company anticipates increased activities in its West Texas operations which will be reflective in revenue in subsequent quarters.

Internationally, Powerwave stimulation project revenues totalled \$119,777 in revenues (November 30, 2016 - \$150,492). In addition to the aforementioned US \$1 million GDMC exclusivity fees, Wavefront sees the trajectory of international Powerwave stimulation revenues increasing as Powerwave activity in the Kingdom of Saudi Arabia grows.

Although the recent Pan American Energy in Argentina expired on August 31, 2017, Wavefront continues to recognize recurring license fee revenues from that Powerwave IOR/EOR contract. For the first quarter 2018, the Company received an initial service order for Powerwave Neptune pulsating selective injection valves for a major Colombian oil producer. Together with the Colombian contract, Wavefront recognized \$61,043 in Powerwave IOR/EOR revenues, a decrease of \$36,902 over the comparative period. It is anticipated that Wavefront will receive additional service orders for Powerwave Neptune pulsating selective injection valves and Powerwave Dragonfly tools in fiscal 2018.

The Company will begin recognizing additional Powerwave IOR/EOR revenues in the second quarter of 2018, as it began installing in December 2017, subsequent to the reporting period, downhole tools in a Powerwave-driven waterflood in Oman with its distributor Marjan Petroleum. Wavefront recognizes the associated revenues of approximate US \$500,000 on a per oil well basis, once installed, over the underlying contractual licensing term of 12 month. The expanded Oman Phase II Powerwave IOR/EOR program is to further evaluate the strengths of Powerwave in various reservoir setting.

In keeping with the North American oil patch spending, Wavefront continues to try to balance expenditures while perusing to advance technology commercialization. For the reporting period the Company was able to reduce expenses by \$419,537 (or 27.4%) over the comparative period. The comparative reporting period however, included litigation, or legal, expenses related to a patent infringement lawsuit Wavefront initiated against Impact Technology Systems AS, American Resources Inc., and, MMB Oil, LLC (together the "Defendants") that was settled in fiscal 2018. Excluding the non-recurring litigation and legal expenses the Company was able to still able reduce expenses by 14.2% over the comparative period.

Impairment

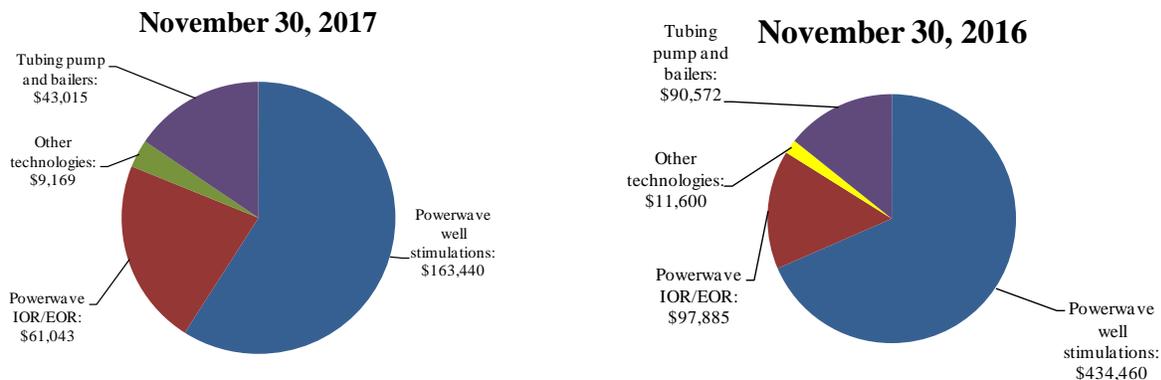
As at November 30, 2017, the Company assessed impairment indicators for the Company's cash generating units ("CGUs") and concluded that apart from prior years' impairment indicators that no indicators of impairment were present.

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

CONSOLIDATED RESULTS – THREE MONTHS ENDED NOVEMBER 30, 2017

Revenues

Revenues for the three months ended November 30, 2017 were \$276,667, decreasing by \$357,850 over the comparative quarter ended November 30, 2016 that recognized revenues of \$634,517. The changes in product line mix can be characterized as follows and reflect Wavefront’s strategic change to more of a focus on Powerwave well stimulations over IOR/EOR activities:



Revenue attributed only to Powerwave product lines were \$224,483, a decrease of \$307,862 over revenues in the comparative quarter of \$532,345. The Powerwave product line is subdivided into well stimulation and IOR/EOR applications with IOR/EOR revenues showed a decrease as certain projects came to an end.

For the first quarter 2018, Powerwave revenues related to well stimulations totalled \$163,440, a decrease of \$271,020 over revenues of \$434,460 in the comparative quarter. The lower Powerwave well stimulation revenues principally relate to a decrease of \$216,469 in the United States, and to a lesser extent a decrease of \$30,715 internationally.

For the first quarter 2018, the total revenue of IOR/EOR Powerwave projects totalled \$61,043 compared to \$97,885 in the comparative quarter. Lower IOR/EOR gross revenues were principally due to the expiring international IOR/EOR contract in Argentina. Powerwave IOR/EOR revenues for the reporting period included the sale of Powerwave Neptune pulsating selective injection valves and the recurring licensing revenues related to the expiring international IOR/EOR contract in Argentina. Other Technology revenues, comprised of Primawave and Performance Drilling, for the first quarter 2018 totalled \$9,169 (2017 - \$11,600).

For the first quarter 2018, revenues from the tubing pumps and bailer product line totalled \$43,015, compared to \$90,572 in the comparative period. Tubing pumps and bailer revenues are comprised of a tool rental, delivery, and tool refurbishment fees, and will continue to fluctuate do to general Canadian oil patch spending pattern volatility and that in certain local geographic market areas.

Geographically, \$56,800 (2017 – \$137,193) in revenue was generated in Canada, \$39,047 (2017 - \$248,947) from the United States, and \$180,820 (2017 - \$248,377) internationally. The geographic revenues are more specifically described as follows:



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

Canada. Gross revenues in our Canadian operation decreased by \$80,393 to \$56,800 compared to \$137,193 in the comparative quarter.

Powerwave well stimulation revenues totalled \$13,785 (2017 - \$37,621); tubing pump and bailer revenues totalled \$43,015 (2017 - \$90,572); and Other technologies totalled \$nil (2016 - \$9,000).

United States. Gross revenues in our US operation decreased by \$209,900 to \$39,047 (2017 - \$248,947). Powerwave well stimulation revenues decreased to \$29,878 (2017 - \$246,347); and Other technologies totalled \$9,167 (2016 - \$2,600). The Company's focus in the United States is on Powerwave well stimulation activities primarily in Texas, which has seen spending in the oil patch being decidedly mixed.

International: Gross revenues outside our Canadian and US operations decreased by \$67,557 to \$180,820 (2017 - \$248,377). Powerwave IOR/EOR applications revenues totalled \$61,043 (2017 - \$97,855) due to the expiring international IOR/EOR contract in Argentina; and Powerwave well stimulation revenues decreased by \$30,715 to \$119,777 (2017 - \$150,492). The Company believes international revenues will be stronger in future reporting periods as it will begin recognizing Powerwave IOR/EOR approximate US \$500,000 revenues associated with Oman project, and the recognition of the Powerwave stimulation minimum US \$1 million in fees relate to the exclusivity Agreement in Kuwait.

Costs of Sales

Under IFRS cost of sales includes direct labour, wage benefits and associated stock option benefits, consumable (i.e., inventory) parts, third party installation costs of Powerwave, Primawave, tubing pump and bailer product lines.

Any losses related to Powerwave projects are immediately recognized and have the effect of increasing direct cost for the period in which they occur or are known to occur.

Costs of sales for the three month period ended November 30, 2017 were \$84,190 or 30.4% of revenues (November 30, 2016 - \$200,747 or 31.6% of revenues), a decrease of \$116,557 which is principally volume related. Costs of sales for Powerwave product lines approximated 28.1% of Powerwave product line revenues. Costs of sales associated with Powerwave IOR/EOR projects totalled \$17,965 or 29.4 % of Powerwave IOR/EOR revenue, whereas costs of sales for all Powerwave stimulations approximated 45,048 or 27.6% of Powerwave stimulation revenues.

Gross Profit

The following table sets out the gross profit margins by product line for the first quarter ended November 30, 2017:

	<u>Powerwave EOR</u>	<u>Powerwave Stimulation</u>	<u>Tubing pumps & bailers</u>	<u>Other Technologies</u>	<u>Total</u>
Revenues	\$ 61,043	\$ 163,440	\$ 43,015	\$ 9,169	\$ 276,667
Costs of sales	17,965	45,048	20,825	352	84,190
	\$ 43,078	\$ 118,392	\$ 22,190	\$ 8,817	\$ 192,477
Gross profit margin (note 1)	70.6%	72.4%	51.6%	96.2%	69.6%

note 1: Gross profit margin is calculated by subtracting direct costs from revenue and dividing the result by revenue, and is further discussed in Non-IFRS Measures



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

The following table sets out the gross profit margins by product line for the first quarter ended November 30, 2016:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	\$ 97,885	\$ 434,460	\$ 90,572	\$ 11,600	\$ 634,517
Costs of sales	70,288	99,647	30,812	-	200,747
	\$ 27,597	\$ 334,813	\$ 59,760	\$ 11,600	\$ 433,770
Gross profit margin (note 1)	28.2%	77.1%	66.0%	100.0%	68.4%

note 1: Gross profit margin is calculated by subtracting direct costs from revenue and dividing the result by revenue, and is further discussed in Non-IFRS Measures

Other Expenses

Other expenses for the first quarter ended November 30, 2017, amounted to \$1,026,114, compared to \$1,329,094 in November 30, 2016. The change in expenses was principally a result of the following changes:

- i) General and administrative expenses decreased by \$302,569 (November 30, 2017 - \$724,083; November 30, 2016 - \$1,026,652) and principally relate to the following:
 - Decreases in professional fees of \$190,290 to \$80,353. During the comparative reporting period the Company incurred litigation and legal expenses of \$202,200 related to a patent infringement lawsuit Wavefront initiated against the Defendants that was settled in fiscal 2018.
 - Decreases in share based payments within the general and administrative functional expense decreased by \$88,743 to \$17,933 principally relates to the comparative period expensing stock option expense allocated to general and administrative functional expense associated with the issuance of 1,975,000 incentive stock options that were issued almost fully expensed at the conclusion of fiscal 2017.
 - Decreases in wage and employee benefits by \$65,805 to \$236,769 principally relates to a decrease in overall staffing levels versus the comparative period. The decrease in staffing levels corresponded to efforts through the prior year to ensure any reductions in revenue were matched by expense reductions.
 - Increase in bad debt recovery of \$25,822 to \$28,390 is principally a result of recovery of bad debt expenses that were allowed for in prior periods.
 - Offsetting the aforementioned decreases are increases of \$36,518 in consulting expenses to \$116,100 that principally relates to the direct engagement of devoted Wavefront Powerwave representation in the Middle East; and increases of \$33,415 in repairs and maintenance expense to \$55,765 that principally relates to increases in general tool and equipment maintenance expense of \$28,560.
- ii) Research and development expense remained relatively stable, decreasing by \$14,269 to \$21,984. Of the wage expense within research and development \$19,814 (November 30, 2016 - \$19,362) relates to labour of our physicist and reservoir engineer that support our Powerwave product line. The balance of expenses relate to research and development materials and outside vendor expenses.

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

- iii) Amortization and depreciation decreased marginally by \$13,437 to \$70,568 from the comparative quarter. The decrease in amortization and depreciation expense is a result of certain assets being fully amortized. With the renegotiating of the Lloydminster office and warehouse lease term, it is anticipated that amortization expense will increase as the period of amortization is shortened.
- iv) Offsetting the above noted decreases, selling and marketing expenses increased by \$27,295 to \$209,479. The increase principally relates to the allocation of wage expense of \$42,158 from general and administrative expenses. This increase was partially offset by a reduction of and share based payments that were allocated to sales and marketing of \$15,106.

Net Finance Section of Income

Interest income of \$4,811 (November 30, 2016 - \$27,563) includes interest earned for the reporting quarter of \$4,811 (2017 - \$14,406), and foreign exchange gain of \$nil (November 30, 2016 - \$13,157). The decrease in interest earned is principally a result of lower principal balances.

Financing cost of \$7,777 (November 30, 2016 - \$92) includes interest expense for the reporting quarter of \$2,574 (2017 - \$92), and foreign exchange loss of \$5,204 (November 30, 2016 - \$nil). The increase in interest expense relates to the Company financing of its insurance premiums for fiscal 2018.

Operating Cash Flows

The following table sets out the cash used in operations for the first quarter ended November 30, 2017 and 2016:

	As at	As at
	November 30, 2017	November 30, 2016
Net loss	\$ (836,603)	\$ (867,853)
Items not affecting cash		
Amortization and depreciation	70,568	84,005
Share-based payment	22,908	139,040
Impact of foreign translation	12,072	(14,303)
Interest expense	2,573	92
Gain on disposal of property, plant and equipment	-	(1,554)
Funds used in operations	(728,482)	(660,573)
Interest paid	(2,573)	(92)
Net change in non-cash working capital items	(36,578)	(214,915)
Cash used in operating activities	\$ (767,633)	\$ (875,580)

Net Loss and Loss Per Share

The basic and diluted net loss for the quarter ended November 30, 2017 decreased by \$31,250 to \$836,603 (\$0.010 per share), compared to \$867,853 (\$0.010 per share) for the comparative quarter ended November 30, 2016.



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

Earnings before interest tax, depreciation and amortization ("EBITDA")

The following table sets out the Company's EBITDA loss and EBITDA loss per share:

	As at		As at
	November 30, 2017	November 30, 2016	
Net loss	\$ (836,603)	\$ (867,853)	
Items not affecting cash			
Amortization and depreciation	70,568	84,005	
Interest and tax expense	2,573	92	
EBITDA	\$ (763,462)	\$ (783,756)	
EBITDA loss per share	\$ (0.009)	\$ (0.009)	

note 1: EBITDA is calculated by adding back all interest, tax, depreciation and amortization to net loss, and is further discussed in Non-IFRS Measures

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total current assets decreased by \$578,796 to \$3,194,785 from the prior year end. Of the net decrease, \$766,673 relates to a reduction of cash resources, of which \$1,748 was used for the acquisition of additional Powerwave tools, equipment and leasehold improvements, and \$728,482 was used to fund operations.

Changes within trade and other receivables reflect timing differences in the underlying work or services being performed and the issuance of invoices and collecting of receivables, the logistics of client payable process, and our financial accounting policy of recognizing Powerwave revenues and direct costs equally over the term of the contracts. Trade and other receivables amounted to \$1,024,697 (as at August 31, 2017 - \$1,125,930), a decrease of \$93,264.

Non-current assets included a decrease of \$67,115, of which \$70,568 due to amortization, and offset by purchases of \$1,748.

Liabilities

Total liabilities increased by \$151,299 from the prior year-end to \$1,238,052. Of the changes in liabilities, \$147,733 relates to an increase in trade accounts payable, and \$24,800 relates to an increase in employee expenses and entitlements, and offset by a \$20,867 decrease in trade accruals.



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

Liquidity

The following table presents working capital information as at November 30, 2017 and August 31, 2017:

	As at November 30, 2017	As at August 31, 2017	Change
Current assets	\$ 3,194,785	\$ 3,773,581	\$ (578,796)
Current liabilities	(1,238,052)	(1,086,753)	(151,299)
Working capital ^(note 1)	\$ 1,956,733	\$ 2,686,828	\$ (730,095)

note 1: Working capital is calculated by subtracting current liabilities from current assets, and is further discussed in Non-IFRS Measures

Wavefront believes that its working capital position will continue to fluctuate and that the Company's cash flow will be affected by degree of commercialization and the product mixes between Powerwave well stimulation, Powerwave IOR/EOR, as well as its tubing pumps and bailer product line.

Working capital was affected by an increase of \$151,299 in accounts payable largely affected by the Company's decision to finance its insurance premiums this fiscal year versus prepaying the premiums at the beginning of the fiscal year, and an increase of \$289,014 in prepaid expenses related to the Oman IOR/EOR project which saw certain installations occur subsequent to the reporting period in December 2017.

Working capital was also affected by the decrease of \$101,233 in trade and other receivables. The decrease in trade and other receivables, net of allowances for doubtful accounts, of \$20,867 and principally relates to collections, and a reduction in accruals.

The maximum exposure to credit risk at the reporting date by geographic region was:

	November 30, 2017	August 31, 2017
Canada	\$ 140,193	\$ 228,761
United States	481,863	524,558
Other	402,641	372,611
	\$ 1,024,697	\$ 1,125,930

Of the Company's cash, receivables and payables denominated in US dollars, the net exposure is \$387,444. The Company's foreign currency exposure, with other variables unchanged, and a 5% change in the Canadian dollar against the US dollar as at November 30, 2017, may impact on comprehensive net loss by \$24,967.

Trade receivables are included in trade and other receivables on the statements of financial position and consist of the following:



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

Of aged trade accounts receivable outstanding as at November 30, 2017, \$424,002 (or 41.4% of trade and other receivables) is over 120 days and principally relates to one Powerwave stimulation client's payables process that for this one year has been delayed, resulting in delayed receivable collections and an increased accounts receivable balance. Given this client is a long serving, major exploration and production company, with strong history of payment, Wavefront, at present, does not foresee problems with collection and anticipate being paid in the near term.

The Company did not default nor was it in arrears on any operating lease payments.

Financings

There were no financings during the reporting or the comparative period.

Capital Resources

Currently, and in addition to the Contractual Commitments (noted below), and in accordance with Wavefront's strategic plan, cash resources will be judiciously managed, and will be used for the following:

- To maintain an inventory of Powerwave tool systems and related activities; and,
- To support strategic marketing efforts related to near-term revenue generation.

There are no known trends or expected fluctuations or restrictions in Wavefront's capital resources.

As of January 24, 2018, Wavefront had \$1,285,433 of cash on hand. Of the cash on hand, Wavefront has \$972,550 in a high interest daily savings account with National Bank Financial with an interest rate of 1.20%.

Credit risk of any deposits is linked to the insurance coverage limits as prescribed by the Canadian Deposit Insurance Corporation and that of National Bank Financial.

At November 30, 2017, the Company had yet to achieve profitable operations, had an accumulated deficit of \$73,037,837 (August 31, 2017 - \$72,201,234) and recognized a net decrease in cash and cash equivalents of \$766,673 (November 30, 2016 - \$870,882). Whether and when the Company can obtain profitability and positive cash flows from operations remains uncertain. The lack of profitable operations, continuing decreases in cash and cash equivalents and the aging and amount of the Company's accounts receivables has impacted the Company's ability to report as a going concern.

As at January 24, 2018, accounts receivables from three of the Company's core international distributors, GDMC, NPS and Marjam Petroleum, amounted to \$699,334 (of which \$225,171 has been received subsequent to the reporting quarter). Receipt of the outstanding receivables and the collection of the major exploration and production company receivable of \$424,002 have greatly impacted the Company's ability to report as a going concern.

The ability to continue as a going concern is dependent on collection the aforementioned receivables, equity or debt financings and / or generating profitable operations in the future on order to meet liabilities as the come due and enable the Company to continue operations. The ability to continue as a going concern may also be adversely impacted by customer technology adaptation rates, sales cycles, the loss of customers and sales per customer. The outcome of such matters cannot be predicted at this time.



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

Although the Company has and is evaluating financings, any such financing will be dependent on Wavefront's credit rating, quality of licensing contracts, etc. and other relevant financing factors.

All future expenditures and investments in capital assets and projects will be governed by the Company's working capital position throughout the year.

CONTRACTUAL COMMITMENTS

The Company 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:

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating lease obligations	\$ 951,512	\$ 392,992	\$ 522,557	\$ 35,963	\$ -

In a prior year, the Company entered into a new office and warehouse space for its Edmonton, Alberta facilities. The office and warehouse lease had a commencement date of February 1, 2011 and a ten year term expiring on January 31, 2021. The future commitment in base rental payments is \$679,251 over the balance of the term.

As well, in a prior year, the Company entered into a new office and warehouse lease in Lloydminster, Alberta. The office lease has a commencement date of July 1, 2012 and an amended term expiring on June 30, 2019. The balance of the future commitment in base rental payments is \$245,965.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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 per month. During the three months ended November 30, 2017, the Company recorded \$18,835 (November 30, 2016 – \$19,899) in consulting expense, with \$nil (August 31, 2017 - \$nil) included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

At the time of this report the Company has no undisclosed proposed transactions.

RISK AND UNCERTAINTIES

The Company's business risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2017.



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

ENVIRONMENTAL RISK

The Company's environmental risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2017.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates are the same as disclosed in its annual MD&A issued for the year ended August 31, 2017.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies are disclosed in Note 2, "*Statement of Compliance*", of the Unaudited Interim Condensed Consolidated Financial Statements for the quarter ended November 30, 2017.

FINANCIAL AND OTHER INSTRUMENTS

Wavefront's significant financial and other instruments consist of accounts receivable, accounts payable and accrued liabilities and interest bearing obligations such as its operating line, and other amounts that will result in future cash outlays.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Wavefront'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 respect to accounts receivables in Canada and the United States, is also limited due to Wavefront's credit evaluation and cash management processes.

Foreign currency risk

Wavefront is exposed to currency risks as a result of its export to foreign jurisdictions of goods produced in Canada or services provided from Canada, and the operational expenses and revenue of foreign operations. These risks are partially covered by purchases of goods and services in the foreign currency. Wavefront does not use derivative instruments to reduce its exposure to foreign currency risk.

Fair value of financial instruments

The carrying value of Wavefront'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's 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.



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

SUPPLEMENTARY INFORMATION

SUMMARY OF QUARTERLY RESULTS AND LOSS PER SHARE

The following tables sets forth selected data derived from our unaudited condensed consolidated interim financial statements for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited financial statements and related notes thereto.

	1st Qtr Nov 30 '17	4th Qtr Aug 31 '17	3rd Qtr May 31 '17	2nd Qtr Feb 28 '17
Revenue	\$ 276,667	\$ 527,437	\$ 525,371	\$ 480,215
Net Loss	\$ (836,603)	\$ (989,465)	\$ (922,141)	\$ (930,635)
Basic and diluted loss per share	\$ (0.010)	\$ (0.012)	\$ (0.011)	\$ (0.011)
Common shares outstanding				
Weighted average shares outstanding	82,956,240	82,956,240	82,956,240	82,956,240

	1st Qtr Nov 30 '16	4th Qtr Aug 31 '16	3rd Qtr May 31 '16	2nd Qtr Feb 28 '16
Revenue	\$ 634,517	\$ 495,116	\$ 794,138	\$ 531,913
Net Loss	\$ (867,853)	\$ (592,863)	\$ (662,637)	\$ (808,382)
Basic and diluted loss per share	\$ (0.010)	\$ (0.007)	\$ (0.008)	\$ (0.010)
Common shares outstanding				
Weighted average shares outstanding	82,956,240	82,956,240	82,956,240	82,956,240

DESCRIPTION OF SHARE CAPITAL

As at November 30, 2017, Wavefront's share capital consisted of the following:

Common shares	
Authorized:	unlimited
Issued and outstanding:	
Free trading	82,956,240
Convertible into common shares	
Incentive stock options	<u>4,250,000</u>
	<u>4,250,000</u>
Fully diluted share capital:	<u>87,206,240</u>

As at January 24, 2018, Wavefront's number of issued and outstanding shares is 82,956,240.



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

Market for Securities

The common shares of Wavefront Technology Solutions Inc. are listed on the TSX Venture Exchange under the symbol of WEE. The Company’s shares also trade on International OTCQX under the symbol WFTSF.

Options granted during the period

No options were granted during the reporting quarter.

The Company maintains a Stock Option Plan under which it may grant options for up to 10,771,558 shares of the Company at an exercise price not be less than the “Discounted Market Price” (as defined in the policies of the TSX Venture Exchange), provided that the exercise price shall not be less than \$0.05 per share. All stock options awarded are exercisable for a period of up to ten (10) years and vest in equal tranches at three (3) month intervals over a period of eighteen months.

Options outstanding

As at November 30, 2017

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share \$
March 17, 2015	March 17, 2020	900,000	0.12
August 4, 2016	August 4, 2026	1,975,000	0.28
February 21, 2014	February 21, 2019	825,000	0.315
January 6, 2017	January 6, 2027	75,000	0.350
February 22, 2013	February 22, 2018	475,000	0.38
		4,250,000	

CONTROLS AND PROCEDURES

Under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (“**NI 52-109**”), the Company, as a “Venture Issuer” files on an annual basis Form 52-109FV1, the “*Certificate of annual filings – venture issuer basic certificate*” (the “**Annual Form**”) 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 NI 52-109. In particular, the certifying officers filing the Annual Form are not making any representations relating to the establishment and maintenance of:

- 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.

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

However, the Company's Management, and its certifying officers on the Annual Form are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in that Annual Form. The Annual Form does contain representations which confirms that management has established processes, which are in place to provide the certifying officers with sufficient knowledge to support their written representations that they have exercised reasonable diligence that (i) the audited annual 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 by the unaudited interim financial statements and that (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the audited financial statements.

The Company's certifying officers of the Annual Form are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in that certificate. However, the reader should be aware that inherent limitations on the ability of the certifying officers to design and implement, on a cost effective basis, DC&P and ICFR for the Company as defined in NI 52-109, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation, including this Management Discussion & Analysis.

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 or current 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". Forward-looking information can be identified by the use of the future tense or other forward-looking words such as "believe", "expect", "anticipate", "intend", "should", "may", "could", "would", "objective" "forecast", "position", "intend" or the negative of those terms or other variations of them or comparable terminology. Examples of such forward-looking information in this document include, but are not limited to statements with respect to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions that may prove to be incorrect:

- *under the heading "Outlook" the outlook for Wavefront's business and its long-term plans, including potential cash payments under the terms of the non-binding Memorandum of Understanding with GDMC, potential growth of sales in the Middle East, South and North America, and the potential necessity for further cost reductions;*
- *under the heading "Liquidity and Capital Resources", Wavefront's beliefs about its working capital position and cash flow break even and its use of cash; and*
- *under the heading "Contractual Commitments", Wavefront's beliefs about working capital sufficiency the potential receipt of payment of certain aged receivables and potential sources of financing.*

We provide this forward-looking information for Wavefront's business in order to describe the management expectations and targets by which Wavefront measures its success and to assist Wavefront shareholders in understanding Wavefront's financial position as at and for the periods ended on the dates presented in this report.



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

Readers are cautioned that this information may not be appropriate for other purposes. 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. Accordingly, readers should not place undue reliance on forward-looking information. 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", "Environmental Risk" and "Financial and Other Instruments" sections in this Management Discussion and Analysis. In determining Wavefront's forward-looking statements, Wavefront considers material factors including assumptions and expectations regarding customer demand and adoption 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. Many of these factors are beyond Wavefront's control and have effects which are difficult to predict. These material risk factors and material assumptions 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. Investors and the public should carefully consider these factors, other uncertainties and potential events, and the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to Wavefront.

The forward-looking statements contained herein represent Wavefront's expectations at January 24, 2018, 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).