



Wavefront Technology Solutions Inc.

<input checked="" type="checkbox"/>	Second Quarterly Report
<input type="checkbox"/>	For the
<input type="checkbox"/>	period ended
<input type="checkbox"/>	February 28, 2010



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

MANAGEMENT'S RESPONSIBILITY

The management of Wavefront Technology Solutions 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 April 22nd, 2010.

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 highly uniform waves 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

Powerwave is a cost-effective, economically beneficial optimization technique for existing oil recovery and oil well stimulation strategies that employ injection. Powerwave can increase both oil production and reserves from existing assets. Production increases related to Powerwave have been demonstrated to far exceed minimum payback requirements.

There are two primary uses of Powerwave in the oil sector. The first is enhanced or improved oil recovery. Enhanced or improved oil recovery is an approach involving the injection of water or CO₂ (other fluids are also injected) into the reservoir through dedicated wells to displace by-passed oil. The injected fluids 'sweep' or 'push' by-passed oil to adjacent production wells. Potential problems associated with flood approaches include inefficient distribution of the injected water due to variable reservoir conditions, or early water breakthrough to production wells. Both of these problems can be minimized or mitigated with Powerwave. Enhanced or improved oil recovery projects tend to last the remaining productive life of the assets, which can be many years or often decades.

The second use of Powerwave is in oil well workovers or stimulations. An oil well workover is a remedial operation performed on a producing well in order to restore or enhance productivity. In many instances a chemical is pumped into the well to stimulate a producing interval however during this operation the importance of placing the chemical correctly is often underestimated. Well workovers or stimulations can be completed in hours or days.



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

Primawave

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.

There are currently two basic approaches for the remediation of contaminated sites. The first is ex-situ treatment, which involves the removal of the contaminated material for treatment and proper disposal. An example of a conventional ex-situ containment/remediation method used since the 1980s is known as the "pump-and-treat" method. This involves injecting groundwater in a contaminated area with the intent of driving the contaminant to production wells, where the contaminant is pumped out of the ground for treatment and proper disposal. Pump-and-treat methods tend last longer periods of time, sometimes encompassing years.

The second remediation approach is the in-situ approach, which involves treating the contaminants onsite, which involves far less disturbance to the surrounding environment than ex-situ treatments. This usually consists of some form of remedial fluid combined with a mechanical method of delivering the treatment liquid to the contaminant in the ground. In fact, up to 80% of in-situ remediation technologies are water-based and involve the application of an active agent. For example, in-situ bioremediation involves adding a carbon substrate to stimulate biological activity to remediate the contamination. In-situ methods are shorter in duration and can last hours to days per injection site.

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 Powerwave and 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.

OVERALL RESULTS FROM OPERATIONS FOR THE SIX MONTHS ENDED FEBRUARY 28, 2010

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

Consolidated Results – six months ended February 28, 2010

Revenues

Revenues for the six months ended February 28, 2010 were \$1,076,965, an increase of \$378,206 over the comparative period in 2009 that recognized revenues of \$698,759. The increase in revenues is primarily a result of return of activity to the service, tubing pump and bailer product lines in Alberta and continued increase in the commercialization of Powerwave and Primawave technologies.

During the period ended February 28, 2010, the Corporation recognized production and operator revenues of \$67,419 (2009 - \$43,170) related to the Rogers County and Rodney South ventures. Of the production and operator revenue recognized, \$33,321 (2009 - \$34,324) relates to the Rodney South venture, whereas \$34,098 (2009 - \$8,845) relates to the Rogers County venture.

During the six month period ended February 28, 2010 service revenue and royalties totalled \$956,829 compared to \$455,145 for the comparative period. The increase in these revenues relate to both the tubing pump and bailer, and



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

Powerwave and Primawave product lines. Tubing pump and bailer product lines revenue totalled \$580,677, an increase of \$5,210 from \$575,467 recorded in the comparative period in 2009. The increase in tubing pump and bailer product line revenues are primarily result of quicker economic recovery of industry activity in the heavy oil sectors of western Saskatchewan and Alberta.

The current strategy of providing discounts and other inducements to new Powerwave and Primawave customers and market leaders continues to result in increased revenue recognition of the Corporation's core technologies totalled \$376,152. 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 systems that could be installed in a particular oilfield. The Corporation recognizes revenue and the associated project 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 \$177,983 to \$52,717 with the declining principal balance and lower interest rates.

Geographically, \$793,382 (2009 – \$566,114) in revenue was generated in Canada and abroad, and \$283,583 (2009 - \$132,645) from the USA.

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 increased to \$657,020 (or 61% of gross services and royalty revenue) compared to \$224,928 (or 52.9% of gross service and royalty revenues) for the comparative reporting period.

Direct expenses principally relate to the tubing pump and bailer product lines and, any installation costs related to Powerwave that the Corporation chose to incur as a strategy to increase adaptation of implementation rates. Any losses related to Powerwave projects are immediately recognized and have the affect of increasing direct cost for the period in which they occur or are known to occur. During the reporting period, due to a specific client's operational practices, certain Powerwave systems did not achieve optimal performance in well bores where the systems were installed. The Corporation agreed to share in the re-deployment costs of four new Powerwave systems as the client controls a significant number of water injectors, which resulted in increased direct expenses related to this client of \$84,000. The Corporation views this event as an operational anomaly not related to Powerwave or overall Powerwave system performance.

In addition to these costs, the Corporation also recognized additional direct costs of approximately \$270,000 related to on-going work with three customers to re-install Powerwave systems in injection wells identified to require further work based upon subsequent analysis completed by the Corporation. The re-installs have been assessed on a well-by-well basis and are a result of enhanced service levels that the Corporation deems valuable at this stage of the commercialization process. As the complexities of certain downhole environments (i.e. water quality, scaling, and corrosion) are identified on a client-by-client, field-by-field basis the Corporation has advanced its tooling, operational and deployment guidelines for Powerwave to mitigate the impact of re-installation expenses of systems.

Other direct expenses related to the Technology are a result of the Corporation's decision to either install or oversee the installation of Powerwave or Primawave systems to ensure operational results, and increase adaptation of implementation rates. Given that the value proposition of the Technology lays in the benefits of the process and not the activities



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

surrounding Technology implementation, the longer term business model for Powerwave and Primawave business model is not necessarily to provide installation services; as such, future direct cost may decrease as the Corporation's moves more towards Technology implementation being undertaken by the client. Direct expenses related to the Technology (once normalized by removing the re-deployment costs noted above) approximated that for the comparative period.

In certain instances where the client requests the presence of technical staff for Technology implementation, the Corporation has charged for such services. Going forward, in all instances where the client requests the presence of technical staff for Technology implementation the Corporation will charge for such services. 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 \$3,516,764, compared to \$4,713,511 in 2009. The decrease in these expenses of \$1,196,747 was principally a result of the following changes:

- i) During the first six months of the 2009 comparative reporting period there was a precipitous drop in commodities prices which, in general, 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 to reassess the fair value of the Corporation's oilfield related assets, i.e., Rogers County mineral rights and associated oilfield assets, and the South Rodney Net Over-riding Royalty Rights. As a result, the Corporation recorded a non-cash impairment charge against its Rogers County oilfield property, plant and equipment and non-participation amounts of \$1,133,936 and the Royalty Rights by \$555,212 (see Assets and Liabilities, and Transaction with Related Parties for further discussion). Total prior period non-cash write-downs totaled \$1,689,148. The calculated amounts to be written down, and the resulting carrying value of the Rogers County and the South Rodney Farm-in assets, may not be indicative of the actual values. No additional impairment charges were recorded during the six months ended February 28, 2010.
- ii) General and administrative expenses, totalling \$2,277,772, comprised the second largest increase in operating expenses. The following table provides comparative details for the general and administrative expenses.

	2010	2009
	\$	\$
Wages and employee benefits	1,078,487	1,222,496
Professional fees	395,445	178,663
Office	308,881	300,313
Consultants	181,970	91,755
Repairs and maintenance	129,566	72,865
Vehicle	93,107	101,061
Bad debts	87,626	1,810
Miscellaneous	2,690	2,005
	<u>2,277,772</u>	<u>1,970,968</u>

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



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

- An increase in “consulting fees” of \$90,215 that can be attributed to expenses related to further development of international marketing opportunities and consulting services for other corporate strategic initiatives.
 - A decrease in “wages and employee benefits” expense of \$144,009 that can be attributed to a decrease in support/administrative staff from 2009 in addition to a change in the classification of some consulting costs from the prior comparative period. For fiscal 2010, the Corporation employed 25 full-time employees and 3 casual / part-time employees (2009 - 22 full-time employees and 7 casual / part-time employees). The current reporting period also reflects a greater focus in Powerwave sales personnel and personnel required for Powerwave and Primawave system design, quality control / quality assurance, as well as client and licensee training in the use of Technology systems.
 - An increase in “repairs and maintenance” expense of \$56,701 related to various product line system repairs that were not charged to jobs and did not relate to the betterment of those systems. Of the repairs and maintenance expense totalling \$129,566 for the reporting period, \$62,707 relate to the repairs and maintenance of tubing pumps and bailers, \$34,624 related to the maintenance of the in-house testing facility for Powerwave and Primawave systems as well as repairs of Powerwave and Primawave systems, and \$28,083 related to the maintenance of the Rogers County oilfield.
 - An increase in “bad debts” expense of \$85,816 related to a provision for the future collectability of amounts owing from Greentree Ventures Ltd (“Greentree”) related to the South Rodney Farm-in Agreement (“South Rodney Royalty Rights”). The South Rodney Royalty Rights are recorded as non-current, as a finite life intangible asset on the Corporation’s balance sheet (also see discussion in “Assets and Liabilities” on page 9).
- iii) An increase in “amortization, depreciation, depletion and accretion” expenses of \$157,627. Of the \$420,886 in amortization, depreciation, depletion and accretion expenses, \$295,212 relates to property, plant and equipment associated with Powerwave, Primawave, tubing pump and bailer product lines. The increase relates to the Corporation maintaining a larger inventory of Powerwave, Primawave, tubing pump and bailer systems to meet grow customer demand.
- iv) Off-setting the above noted increase in expenses was a decrease of \$109,749 in “selling, marketing, and travel” expense that relates to increased activity in the comparative period. Additionally in the current reporting period there was reduced activity for costs associated with installation trials as these have now been converted to revenue generating projects. These recoveries were offset by additional travel costs related to the pursuit and use of agents for Powerwave in Southeast Asia, Europe and Mexico, and for Primawave in Southeast Asia and Europe.
- v) The other major change in expenses for the six months ended February 28, 2010 to the comparative period was an increase in “foreign exchange” expense of \$293,704, which is a result of the strengthening of the Canadian dollar.



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

Net Loss and Loss Per Share

The basic and diluted net loss, for the six months ended February 28, 2010 was \$3,096,819 (\$0.04 per share), compared to \$4,239,680 (\$0.06 per share) in 2009.

Consolidated Results – three months ended February 28, 2010

Revenues

Revenues for the three months ended February 28, 2010 were \$500,638, an increase of \$234,834 over the comparative period in 2009 that recognized revenues of \$267,804. The increase of revenues of approximately 87% is primarily a result of the recovery of the energy sector that has led to increased activity in the tubing pump and bailer product lines, and installation and adaptation Powerwave and Primawave product lines.

Production and operator fees increased by \$13,436, and relate solely to increased production in the Rogers County. During the quarter, due to uncertainty surrounding the future collectability of revenues earned related to the South Rodney Royalty Rights owed by Greentree, no revenue was accrued or recorded. Revenues that would have been attributed to the Corporation under the South Rodney Royalty Rights, but were not recognized due to uncertainty surrounding future collectability, amounted to \$33,603 (also see discussion in "Assets and Liabilities" on page 9).

Interest income declined by \$50,960 to \$28,210 that relates to declining principal balance and lower interest rates.

Geographically, \$358,347 (2009 – \$225,205) in revenue was generated in Canada and abroad, and \$142,291 (2009 - \$42,599) from the USA.

Direct Expenses

Direct expenses related to service revenue and royalties increased by \$282,097 to \$414,315 (or 91% of gross services and royalty revenue), compared to \$132,218 (or 72% of gross services and royalty revenue) for the comparative period. The current period's increase in direct costs relates to the increase in the tubing pump and bailer product lines.

As mentioned above in addition to these costs, the Corporation also recognized additional direct costs of approximately \$270,000 related to on-going work with three customers to re-install Powerwave systems in injection wells identified to require further work based upon subsequent analysis completed by the Corporation. The re-installs have been assessed on a well-by-well basis and are a result of enhanced service levels that the Corporation deems valuable at this stage of the commercialization process. As the complexities of certain downhole environments (i.e. water quality, scaling, and corrosion) are identified on a client-by-client, field-by-field basis the Corporation has advanced its tooling, operational and deployment guidelines for Powerwave to mitigate the impact of re-installation expenses of systems.

Other Expenses

Other expense for the period amounted to \$1,864,655, compared to \$1,680,331 in 2009. The increase in these expenses of \$184,324 was principally a result of the following changes:

- i) General and administrative expenses, totalling \$1,227,354, comprised the second largest increase in operating expenses. The following table provides comparative details for the general and administrative expenses.



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

	2010	2009
	\$	\$
Wages and employee benefits	525,774	703,130
Professional fees	287,634	79,709
Office	128,525	154,888
Consultants	99,768	43,349
Bad debts	74,219	(3,516)
Repairs and maintenance	69,857	33,101
Vehicle	41,458	42,379
Miscellaneous	119	1,447
	<u>\$1,227,354</u>	<u>1,054,487</u>

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

- An increase in “consulting fees” of \$56,419 that can be attributed to expenses related to further development of international marketing opportunities and consulting services for other corporate strategic initiatives.
 - A decrease in “wages and employee benefits” expense of \$177,356 that can be attributed to a decrease in support/administrative staff from 2009 in addition to a change in the classification of some consulting costs from the prior comparative period. For the three months ended February 28, 2010, the Corporation employed 25 full-time employees and 3 casual / part-time employees (2009 - 22 full-time employees and 7 casual / part-time employees). The current reporting period also reflects a greater focus in Powerwave sales personnel and personnel required for Powerwave and Primawave system design, quality control / quality assurance, as well as client and licensee training in the use of Technology systems.
 - An increase in “repairs and maintenance” expense of \$36,756 related to various product line system repairs that were not charged to jobs and did not relate to the betterment of those systems. Of the repairs and maintenance expense totalling \$69,857 for the three months, \$30,715 relate to the repairs and maintenance of tubing pumps and bailers, \$19,484 related to the maintenance of the in-house testing facility for Powerwave and Primawave systems as well as repairs of Powerwave and Primawave systems, and \$19,658 related to the maintenance of the Rogers County oilfield.
 - An increase in “bad debts” expense of \$77,735 which consisted of miscellaneous recoveries totalling \$8,016. This was offset by \$85,751 related to a provision for the future collectability of amounts owing from Greentree related to the South Rodney Royalty Rights (also see discussion in “Assets and Liabilities” on page 9).
- vi) An increase in “amortization, depreciation, depletion and accretion” expenses of \$64,598. Of the \$206,827 in amortization, depreciation, depletion and accretion expenses, \$183,870 relates to property, plant and equipment associated with Powerwave, Primawave, tubing pump and bailer product lines. The increase relates to the Corporation maintaining a larger inventory of Powerwave, Primawave, tubing pump and bailer systems to meet grow customer demand.



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

Net Loss and Loss Per Share

The basic and diluted net loss for the three months ended February 28, 2010 was \$1,778,332 (\$0.03 per share), compared to \$1,544,745 (\$0.02 per share) in 2009.

Seasonality of Operations

Certain oilfield services offered by the Corporation are seasonal and relate to the product offering and geographical extent to which products were offered for sale. The Corporation's product offerings, in relation to oilfield services, are the rental and sale of downhole equipment within the geographical areas of Alberta and Saskatchewan. Due to temperature influences on ground conditions in Alberta and Saskatchewan, the months of December, March and April have lower activities for the oilfield services, rental and sale of downhole equipment.

The Corporation however, is focusing a large part of its resources on Powerwave and Primawave. 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 \$2,256,777 to \$22,220,823 from the prior year end. The decrease was primarily due to a decrease of \$2,774,785 in cash that was used to fund operations and fund the manufacturing of Powerwave and Primawave systems.

During the six months ending February 28, 2010, accounts receivable and inventory increased by \$137,413 and \$33,019, respectively while prepaid expenses decreased by \$5,825. These changes reflect timing differences in incurring installation expenses and collecting receivables and are directly related to increases in Powerwave contacts and the Company's financial accounting policy of recognizing Powerwave revenues and direct costs equally over the term of the contracts.

As at February 28, 2010 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 comparative period in fiscal 2009, the Corporation reviewed the carrying amount of its oilfield property, plant and equipment and non-participation amounts related to the Rogers County venture and, whether there were indicators, events or circumstances that may have caused impairment since the most recently completed fiscal year. As a result of the review, a detailed impairment calculation was completed and the Corporation recorded an impairment charge against its Rogers County property, plant and equipment and non-participation amounts by \$1,133,936. (see "Consolidated Results – Other Expenses" on page 4 for further discussion). No additional impairment charges were recorded during the six months ended February 28, 2010.

The Corporation also, during the comparative period in fiscal 2009, recorded a write-down of its South Rodney Royalty Rights associated with the South Rodney Farm-in Agreement of \$555,212. Although provisions were made during the three months ending February 28, 2010 for a bad debt allowance and no revenues recorded, the Corporation has not



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

provided for a write-down of the South Rodney Royalty Right as it is currently concluding the conveyance of the net over-riding royalty right to an equity working interest and new operating agreement, which will provide for greater assurance of future cash flows from the South Rodney asset (also see discussion on bad debt and revenue under the heading "Consolidated Results – six months ended February 28, 2010" on pages 3 and 4, and "Consolidated Results – six months ended February 28, 2010" on pages 6 and 8).

Given the volatility in the financial and commodity markets, management chose 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 Royalty Rights may not be indicative of the actual values. Additionally, given the volatility in the financial and commodity markets, the Rogers County and the South Rodney Royalty Rights assets may be subject to future impairment charges.

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. No amortization or depletion expense has been recorded.

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. No amortization or depletion expense has been recorded.

The Young and Taylor County, Texas oilfield leases expire in May 2010. At present the Corporation does not anticipate renegotiating or performing any activities that may result in the extension of these oilfield leases. Should the oilfield leases expire, the assets would be eliminated from the Corporation's balance sheet and a one-time, non-cash; expense of \$218,636 would be recorded.

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 clients compile their own Powerwave results and there is a greater adaptation of the Powerwave, the strategic importance of the Corporation's oilfield assets diminishes.

Total liabilities increased by \$395,860 from the prior year-end to \$1,091,544. This was principally due to increases in accounts payable and accrued liabilities by \$479,320 to \$1,089,544. The increase in accounts payable and accrued liabilities was partially off-set by a reduction in amounts due to shareholders by \$73,470.

Liquidity

As at February 28, 2010, the Corporation had working capital of \$12,378,190. The Corporation believes that its working capital position will continue to decline despite having a significant increase in the number of Powerwave contracts in-hand, as Wavefront cannot control or dictate the installation schedules that triggers both billings and revenue recognition. 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.



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

Financings

During the six month period ended February 28, 2009, the Corporation did not undertake any financings. However, subsequent to the reporting period and date of this Management Discussion and Analysis, the Corporation, effective April 26, 2010, closed the sale of 10,438,170 units ("Units") of the Corporation at a price of \$2.10 per Unit for gross proceeds of \$21,920,157 (the "Offering"). The Offering was conducted through a syndicate of agents led Casimir Capital LP ("Casimir"), and included Haywood Securities Inc. (the "Agents"). Each Unit consists of one common share (a "Common Share") and one-half of one common share purchase warrant ("Warrant"), with each full Warrant entitling the holder to acquire one additional Common Share priced at \$2.75 for period of twelve months ending April 27, 2011. Provided that the volume weighted average trading price of the common shares of Wavefront on the TSX-V, or any other stock exchange on which the Common Shares are then listed, is at a price equal to or greater than \$3.15 for a period of more than 20 consecutive trading days, the Corporation will have the right to accelerate the expiry date of the Warrants by giving written notice to the holders of the Warrants that the Warrants will expire on the date that is not less than 30 days from the date notice is provided by the Corporation to the holder of the Warrant.

The Agents will receive a 8% cash commission of \$1,736,813, plus the reimbursement of their expenses including legal fees. All Units issued under the Private Placement are subject to a four-month hold period expiring on August 27, 2010.

Net proceeds of the Private Placement are estimated to approximate \$20,016,424 and will be used to fabricate increasing an inventory of Powerwave and Primawave systems, the financing of an international expansion plan, and for general corporate purposes and unallocated working capital. The net cash is not included in the cash on hand disclosure noted in the Capital Resources disclosure below.

In addition, during the reporting period ended February 28, 2010, 265,000 incentive stock options were exercised by a director of the Corporation during the period ended February 28, 2010, at a price of \$0.45 resulting in gross proceeds of \$119,250.

Capital Resources

Currently, the Corporation has the following commitments for capital expenditures:

Greentree Royalty Rights

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. 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.



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

As at February 28, 2010, the Corporation has paid Greentree \$2,168,834 (August 31, 2009 – \$2,168,834) under the Farm-in Agreement. The Corporation may be obligated to fund, should the parties agree to further development of the Rodney South oilfield lease, the remaining balance of up to \$81,166 (August 31, 2009 - \$81,166) under the Farm-in Agreement. The related asset is classified as a 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 or has been planned 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. The Taylor County, Texas oilfield lease expires in May 2010. At present the Corporation does not anticipate renegotiating or performing any activity that may result in the extension of the Taylor County oilfield lease. Should the Taylor County oilfield lease expire, the asset would be removed from the Corporation's oilfield property, plant and equipment and would recognize a corresponding expense of \$39,768.

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 on-going marketing efforts with, and to train all licensees on, the implementation of Powerwave and Primawave.
- Training licensees on the implementation of Powerwave and Primawave systems.
- 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 April 22, 2009, there are no amounts owed in respect of the lines of credit and the Corporation had \$11,967,156 of cash on hand. Of the cash on hand, the Corporation has \$11,100,000 in Guaranteed Investment Certificates ("GIC") on deposit with TD Canada Trust, a Canadian chartered bank. The investment in the GIC is for a 31 day term, maturing on May 3, 2010, with a guaranteed interest rate of 0.45% 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:



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

As at February 28, 2010	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Shareholder loans	\$ 39,122	39,122	-	-	-
Operating lease obligations	120,523	47,466	73,057	-	-
Greentree Gas and Oil Royalty Rights	81,166	81,166	-	-	-
	\$ 240,811	\$ 167,754	\$ 73,057	\$ -	\$ -

Management is of the opinion that its working capital position of \$12,378,190 as at February 28, 2010 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 further expenditures related to this project in fiscal 2010. 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) During the reporting period, a director of the Corporation exercised 265,000 stock options at a price of \$0.45 for net proceeds to the Corporation of \$119,250.
- ii) During the reporting period 260,000 incentive stock options were issued to directors of the Corporation with an exercise price of \$0.72. The incentive stock options are set to expire September 4, 2014.
- iii) During the fiscal year ending August 31, 2006, the Corporation became the Operator of Record. 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. Boulder however, as a non-operating partner, exercised its non-participation right under the Joint Operating Agreement. Under the Joint Operating Agreement, the Corporation will receive all production revenues from production wells 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. As at February 28, 2010, amounts recorded under non-participation amounts owed totalled \$728,694 (August 31, 2009 – \$735,014). 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.

During the comparative period ended February 28, 2009, there was a material decline in commodity prices. The Corporation recorded an impairment charge against its Rogers County oilfield property, plant



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

and equipment and non-participation amounts by \$1,133,936. No additional impairment charges were recorded during the six months ended February 28, 2010.

PROPOSED TRANSACTIONS

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

OUTLOOK

As global economic conditions take hold oil demand should trend upward providing Wavefront opportunity to aid producers in improving oil recovery in fields where production declines were impacted by reduced investment during the recessionary period of 2009 and early 2010.

The Corporation continues to expand its sales and marketing efforts in Canada, the United States, Mexico, Colombia, Argentina, Qatar, United Arab Emirates, Oman, Bolivia, Brazil, and Ecuador. The Corporation's short term goal is to establish a multi-national customer base that solidifies Powerwave as a primary method of flooding. As the aforementioned territories are secured the Corporation will evaluate additional jurisdictions for Powerwave marketing.

Of primary near term importance to move the Corporation towards a positive income and cash flow position is to install the back log of 110 Powerwave license/rental contracts. The timing of positive income and cash flow is very much dependent upon the installation rate of existing Powerwave contracts, which is beyond the Corporation's control. As the back log of Powerwave contracts is installed the Corporation will also focus on converting the 93 pending license/rental contracts to confirmed license/rental contracts. Conversion of the existing opportunity would equate in the Corporation reaching a milestone of 259 license/rental contracts.

In addition to the above, the Corporation will continue to manage relationships with clients along all product segments to expand product uptake and market share; and focus on cost controls and take decisive actions where necessary to improve operating income.



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

SUPPLEMENTARY INFORMATION

Summary of Quarterly Results (Three months ended)

	2nd Qtr Feb 28'10	1st Qtr Nov 30'09	4th Qtr Aug 31 '09	3rd Qtr May 31 '09
Revenue	\$ 500,638	\$ 576,327	\$ 537,776	\$ 380,066
Net Loss	\$ (1,778,332)	\$ (1,318,487)	\$ (1,911,645)	\$ (1,763,451)
Basic and diluted loss per share	\$ (0.025)	\$ (0.018)	\$ (0.026)	\$ (0.025)
Common shares outstanding				
Weighted average shares outstanding	72,028,109	71,946,949	71,513,398	71,513,398
Diluted shares outstanding	72,463,649	72,500,051	72,650,881	72,650,881

	2nd Qtr Feb 28'09	1st Qtr Nov 30'08	4th Qtr Aug. 30 '08	3rd Qtr May 31 '08
Revenue	\$ 267,804	\$ 430,955	\$ 441,449	\$ 684,009
Net Loss	\$ (1,544,745)	\$ (2,694,935)	\$ (3,603,596)	\$ (1,195,773)
Basic and diluted loss per share	\$ (0.022)	\$ (0.038)	\$ (0.052)	\$ (0.016)
Common shares outstanding				
Weighted average shares outstanding	71,467,488	71,386,072	62,035,011	60,004,288
Diluted shares outstanding	72,569,048	71,753,117	62,666,627	60,712,744

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

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

RISK FACTORS

The Corporation's business risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2009.

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, 2009.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies and future accounting changes not yet applied are disclosed in the notes to the non-audited consolidated financial statements for the six months ended February 28, 2010.

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

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, substantially completed 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, draft mock financial statements with the objective of finalizing IFRS accounting policies and calculating IFRS differences in 2010.

Given the level of information gathering required as part of the process, during the fiscal year the Corporation worked with Deloitte & Touche LLP to identify and performed a detailed analysis of differences between Canadian generally accepted accounting principle and IFRS in the major risk areas to the Corporation's financial statements. Further the Corporation has substantially completed the detailed review of IFRS policy exemptions, drafted its IFRS accounting policy choices and assessed the impact of its policy choices. In finalizing its IFRS accounting policy choices and exceptions, it will continue to work with Deloitte & Touch LLP, and then with its auditors, PricewaterhouseCoopers LLP, to ensure agreement with the policy selection and adaptation and whether the policy choices will be applied on a retrospective or a prospective basis.

It is expected that the Corporation will finalize its analysis of differences between Canadian generally accepted accounting principle and IFRS, draft mock financial statements with the objective finalizing its IFRS accounting policy choices and be able to perform a calculation of IFRS differences related to IFRS policy adaptation in fiscal 2010.

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

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, amounts due to shareholders, 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 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.



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

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:

- 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 headings "Overall Results from Operations" and "Liquidity and Capital Resources" and expectations under the heading "Outlook". We provide a financial outlook (a type of forward-looking statement) for Wavefront's business under the heading "Outlook" 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. Readers are cautioned that this information may not be appropriate for other purposes. 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



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

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, 2009 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 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.

The forward-looking statements contained herein represent Wavefront's expectations at April 22, 2010, 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).