



Wavefront Technology Solutions Inc.

<input checked="" type="checkbox"/>	Third Quarterly Report
<input checked="" type="checkbox"/>	For the
<input checked="" type="checkbox"/>	period ended
<input type="checkbox"/>	May 31, 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 July 27th, 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. The economics of installing Powerwave is very attractive because of rapid pay-back and the possibility of adding reserves barrels. Based on field results it is estimated that the client will see a production response starting within six to twelve months and fully developing between eight and eighteen months after Powerwave system installation. The Corporation estimates that Powerwave will increase oil production between twenty five to one hundred percent above pre-Powerwave production trends as well as increase ultimate oil recovery in a waterflood project between two to fifteen percent of original oil in place.

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.



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

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.

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 approach involves delineating the area of contamination, drilling numerous recovery wells in the delineated area and pumping the contaminant out of the ground water treatment and containment disposal. Pump-and-treat methods tend to last longer periods of time, sometimes encompassing years or decades.

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 NINE MONTHS ENDED MAY 31, 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.

The Corporation has made significant advances in the adaptation of our core Technology and this is reflective in increased revenues. Advances in market acceptance have also brought challenges as the Corporation responds to a wider range of conditions where clients look to benefit from the Technology. In the oil sector Powerwave has a well-earned track record of success however we continue to identify the range of operating parameters where various Powerwave systems (tools) work best for specific reservoir circumstances. More specifically we are identifying the operating parameters of a mechanical flow driven tool used in injection wells where no electrical power is available. These types of injectors represent the larger portion of the global market and the Corporation developed certain tools based on client feedback and demand. In identifying the operating parameters of the mechanical flow driven tool the Corporation has had to incur expenses related to tool re-installation as well as expenses related to tool design modifications to consistently generate the results we expect from Powerwave-driven water and CO₂ floods. Defining operating parameters and tool design modifications have had an effect, in some cases, of the Corporation deferring the installation of the backlog of Powerwave contracts to identify the best possible solution for each client. The Corporation believes that this is a



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

necessary step to minimize expenses related to tool re-installation but more importantly, maintain the history of success of the Technology for future growth. Other delays are due to the Corporation waiting on its client's schedules for the installation of Powerwave systems.

A goal for fiscal 2010 was to re-establish the use of Powerwave for single well stimulations or workovers. A single well stimulation, or work-over, is a remedial operation performed on a producing well 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 efficiently is often underestimated. A single well stimulation is generally on the order of one day compared to flooding operations (i.e. water flooding) that can last much more than a decade. For the nine months ended May 31, 2010 thirty six Powerwave-aided single well stimulations had been performed. The Corporation's vision is to position Powerwave as a standard operating procedure for well stimulation.

In the environmental sector Primawave has seen a significant increase in adaptation and was recently identified in ExxonMobil's Greenpoint Community News to be slated for use in the recovery of hydrocarbon at a former bulk storage facility in Greenpoint, New York. Continued success at a high profile site such as the Greenpoint site will help propel Primawave adaptation rates at similar sites throughout the United States and abroad.

Consolidated Results – nine months ended May 31, 2010

Revenues

Revenues for the nine months ended May 31, 2010 were \$1,770,903, an increase of \$692,078 over the comparative period in 2009 that recognized revenues of \$1,078,825. The 64% increase in revenues is primarily a result of continued increase in the commercialization of Powerwave and Primawave technologies and a return of activity to the service, tubing pump and bailer product lines in Alberta.

During the nine month period ended May 31, 2010 service revenue and royalties totalled \$1,571,411 compared to \$711,967 for the comparative period. The more than doubling of these revenues relate to both the Powerwave and Primawave and tubing pump and bailer product lines.

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 that totalled \$732,291 (2009 - \$201,508). The discounts and inducements ranged from pricing discounts to providing fully discounted initial periods to the inclusion of installation. Inducements were based on the contract terms and the potential number of Powerwave systems that could be installed in a particular oilfield or with a particular client.

Powerwave product line, monthly licensing and installation, revenues totalled \$653,155, an increase of \$468,955 over the comparative period. The approximate 250% increase in Powerwave revenue is a result of the continued increased installations of Powerwave systems, which at May 31, 2010 approximated 84 systems (not including those installed in the Corporation's Rodney South venture). Of the 84 Powerwave systems installed, a majority is not yet generating revenue given the aforementioned inducements. At present the Corporation has contracts and pending contracts for a total of 184 Powerwave installations. Although contracts have unique terms, the Corporation's objective is to charge all clients for installations, which varies due to the types of systems being deployed, geological structure and depth, and is recognized in the period that the installation occurs. Powerwave licensing revenue is typically a recurring monthly fee. Powerwave licensing revenue and the associated expenses are recognized equally over the term of the licensing contracts, with recognition starting once the systems are installed and accepted by the Corporation's clients. Thus, when in the reporting



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

period the above noted Powerwave installations, or re-installations, occur they will have an impact on revenues recognized.

Primawave revenues totalled \$79,136 for the reporting period, an increase of \$61,828 over the comparative reporting period.

The tubing pump and bailer product lines revenue totalled \$839,120, an increase of \$409,615 from \$429,505 recorded in the comparative period in 2009. The increase in tubing pump and bailer product line revenues is primarily a result of quicker economic recovery of industry activity in the heavy oil sectors of western Saskatchewan and Alberta.

During the period ended May 31, 2010 the Corporation also recognized production and operator revenues of \$124,323 (2009 - \$99,137) related to the Rogers County and Rodney South ventures. Of the production and operator revenue recognized, \$79,357 (2009 - \$71,185) relates to the Rogers County venture, whereas \$44,966 (2009 - \$46,262) relates to the Rodney South venture. Due to the Corporation's determination that collection of the Royalty Rights revenue associated with the Greentree Rodney South oilfield was not reasonably assured, no revenue was recognized during the period of December 1, 2009 to April 30, 2010. As a result of the quit claim and general rights conveyance agreement (see Greentree Royalty Rights, page 10, for further discussion), the Corporation recognized revenue of \$11,645 for the month of May 2010.

Interest revenue for the reporting period decreased by \$192,559 to \$75,169 with the declining principal balance and lower interest rates.

Geographically, \$1,375,434 (2009 - \$894,196) in revenue was generated in Canada and abroad, and \$395,469 (2009 - \$184,629) from the United States.

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 \$856,848 (or 54% of gross services and royalty revenue) compared to \$330,041 (or 46% of gross service and royalty revenues) for the comparative reporting period.

Direct expenses principally relate to the service, product and installation costs of the tubing pump and bailer product lines, and any installation and warranty 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, the Corporation agreed to share in the re-deployment costs of Powerwave systems for certain clients as they control a significant number of water injectors that are targeted for future Powerwave systems. This decision resulted in increased direct expenses related to these clients of \$88,000. In addition to these costs, the Corporation also recognized additional direct costs of approximately \$163,000 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.

Under the various agreements that the Corporation enters into with oil producers, and typical of the industry, no warranties are provided for systems once they are installed downhole. However, the Corporation has chosen to share in the costs related to re-installations on a well-by-well basis and are a result of enhanced service levels that the Corporation deems valuable at this stage for the larger commercialization process. As the complexities of certain downhole



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

environments (i.e. water quality, scaling, corrosion, and reservoir back pressure, etc.) are identified on a client-by-client, field-by-field basis the Corporation continues to advance its tooling, operational and deployment guidelines for Powerwave to mitigate the impact of re-installation expenses of systems. As the Corporation obtains a larger sample base, similar to other downhole tool and technology companies, of when such decisions are made, future warranty estimates may be made and recorded as direct costs.

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 surrounding Technology implementation, the longer term business model for Powerwave and Primawave is not necessarily to provide installation services; as such, future direct costs may decrease as the Corporation moves towards Technology implementation being undertaken solely 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 \$5,831,862, compared to \$6,751,915 in 2009. The decrease in these expenses of \$920,053 was principally a result of the following changes:

- i) General and administrative expenses, totalling \$3,381,266, 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	1,602,261	1,822,827
Professional fees	603,547	288,496
Office	467,949	552,650
Consultant fees	285,248	140,080
Repairs and maintenance	179,294	157,303
Vehicle	145,873	157,404
Bad debts	90,810	2,162
Miscellaneous	6,284	4,715
	<u>3,381,266</u>	<u>3,125,637</u>

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

- An increase of "professional fees" of \$315,051 related to costs associated with corporate initiatives related to the external consultation in preparation for international financial reporting standards (see Change in

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

Accounting Policies, page 16), the creation of international transfer pricing policies, taxation compliance corporate governance matters and head-hunter fees.

- Included in "wage and employee benefits" are employee salaries, payroll taxes and benefits that have not been allocated as direct costs or manufacturing costs of the Corporation's inventory or fixed assets. For the nine months ended May 31, 2010, the Corporation employed 28 full-time employees and 2 casual / part-time employees (2009 - 24 full-time employees and 3 casual / part-time employees). Despite the increase in employees and in some cases wage rates, the decrease in "wages and employee benefits" expense of \$220,566 is a result of an increase in wages that are directly related to, and were allocated to, direct project costs, and the manufacturing of inventory and fixed assets.
 - An increase in "consulting fees" of \$145,168 that can be attributed to expenses related to further development of international marketing opportunities and consulting services for other corporate strategic initiatives. This included \$50,221 in corporate services related to taxation and corporate advisory fees, \$40,787 in business development fees for international contracts, \$38,567 in fees related to oilfield personnel in the Rogers County operations in the United States, and \$15,593 for further sales development in Alberta and Saskatchewan for the tubing pump and bailer product lines.
 - An increase in "bad debts" expense of \$88,648 related in part to a provision of \$85,141 for the future collectability of amounts owing from Greentree Gas and Oil Ltd. ("Greentree") related to the South Rodney Agreement ("South Rodney Royalty Rights"). The South Rodney Royalty Rights are recorded as a non-current, finite life intangible asset on the Corporation's balance sheet (also see discussion in "Assets and Liabilities" on page 9).
- ii) An increase in "amortization, depreciation, depletion and accretion" expenses of \$196,028. Of the \$666,736 in amortization, depreciation, depletion and accretion expenses, \$454,829 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.
- iii) An increase of \$73,958 in "selling, marketing, and travel" expense that relates to increased activity in the current period for 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.
- iv) The other major change in expenses for the nine months ended May 31, 2010 to the comparative period was an increase in "foreign exchange" expense of \$192,867, which is a result of the strengthening of the Canadian dollar.
- v) During the reporting period the mineral right leases associated with the Young and Taylor County oilfields expired. Ownership of the oilfields is not viewed as core to the Corporation's strategy, and it is currently believed that sufficient third party positive data from client oilfields is available for marketing purposes. As a result, the Corporation did not renegotiate any further terms nor enter into any subsequent agreements, and the full carrying value of these oilfields of \$217,505 was written down.

During the first nine 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



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

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) in 2009. 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 assets, may not be indicative of the actual values. No additional impairment charges were recorded during the nine months ended May 31, 2010 related to Rogers County and the South Rodney ventures.

Net Loss and Loss Per Share

The basic and diluted net loss, for the nine months ended May 31, 2010 was \$4,917,807 (\$0.07 per share), compared to \$6,003,131 (\$0.08 per share) in 2009.

Consolidated Results – three months ended May 31, 2010

Revenues

Revenues for the three months ended May 31, 2010 were \$693,938, an increase of \$313,872 over the comparative period in 2009 that recognized revenues of \$380,066. The increase of revenues of approximately 82% 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.

The increase in Powerwave and Primawave revenues of \$208,009 consisted of an increase in the revenue recognized from Powerwave systems of \$188,631 and an increase in Primawave system revenue of \$19,378 from the comparative period in 2009.

Production and operator fees of \$56,905 relate to production revenue in the Rogers County for the three months ended May 31, 2010 and to the Greentree net over-riding royalty in Rodney South for the month of May 2010. Revenue related to the Royalty Rights associated with the Greentree Rodney South oilfield was not recognized during the period of December 1, 2009 to April 30, 2010 due to the Corporation's determination that collection of the receivable was not reasonable assured. As a result however, of the quit claim and general rights conveyance agreement (see Greentree Royalty Rights, page 10, for further discussion), the Corporation recognized revenue of \$11,645 for the month of May 2010. 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 \$63,239.

Interest income declined by \$14,570 to \$22,451 that relates to declining principal balance and lower interest rates.

Geographically, \$582,053 (2009 – \$328,082) in revenue was generated in Canada and abroad, and \$111,885 (2009 - \$51,984) from the United States.



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

Direct Expenses

Direct expenses related to service revenue and royalties increased by \$94,715 to \$199,828 (or 32% of gross services and royalty revenue), compared to \$105,113 (or 36% 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.

The current period direct costs were reduced by \$107,000 as a result in a change in estimate 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-installation of Powerwave systems are 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.

Other Expenses

Other expense for the period amounted to \$2,315,098, compared to \$2,038,404 in 2009. The increase in these expenses of \$276,694 was principally a result of the following changes:

- i) An increase of \$183,707 in "selling, marketing, and travel" expense that relates to increased activity in the current period for 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
- ii) An increase in "amortization, depreciation, depletion and accretion" expenses of \$38,401. Of the \$245,850 in amortization, depreciation, depletion and accretion expenses, \$174,623 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.
- iii) General and administrative expenses, totalling \$1,103,494, comprised the largest operating expenses. The following table provides comparative details for the general and administrative expenses.

	2010	2009
	\$	\$
Wages and employee benefits	523,776	600,330
Professional fees	208,102	109,833
Office	159,068	252,337
Consultants	103,278	48,325
Vehicle	52,764	56,343
Repairs and maintenance	49,728	84,438
Miscellaneous	3,593	2,710
Bad debts	3,185	352
	<u>1,103,494</u>	<u>1,154,668</u>

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

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

- An increase of "professional fees" of \$98,269 related to costs associated with corporate initiatives related to the creation of international transfer pricing policy, taxation compliance and corporate governance matters.
- Included in "wage and employee benefits" are employee salaries, payroll taxes and benefits that have not been allocated as direct costs or manufacturing costs of the Corporation's inventor or fixed assets. For the nine months ended May 31, 2010, the Corporation employed 28 full-time employees and 2 casual / part-time employees (2009 - 24 full-time employees and 3 casual / part-time employees). Despite the increase in employees and in some cases wage rates, the decrease in "wages and employee benefits" expense of \$76,554 is a result of an increase in wages that are directly related to, and were allocated to, direct project costs, and the manufacturing of inventory and fixed assets.
- A decrease in "office expenses" of \$93,269 due to the consolidation of office space for the Company's US operations.
- An increase in "consulting fees" of \$54,953 that can be attributed to expenses related to further development of international marketing opportunities and consulting services for other corporate strategic initiatives. This included \$43,438 in consultant costs for the continued sales development of the Powerwave tools in Alberta and Saskatchewan and \$9,000 fees related to oilfield personnel in the Rogers County operations in the United States.

Net Loss and Loss Per Share

The basic and diluted net loss for the three months ended May 31, 2010 was \$1,820,988 (\$0.02 per share), compared to \$1,763,451 (\$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.



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

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total assets increased by \$16,476,587 to \$40,954,187 from the prior year end. The increase was primarily due to an increase of \$15,835,810 in cash and cash equivalents that resulted from a brokered private placement that closed on April 26, 2010 (see Financings on page 11 below).

During the nine months ending May 31, 2010, accounts receivable and inventory increased by \$274,484 and \$35,755, respectively while prepaid expenses decreased by \$42,774. 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 May 31, 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 6 for further discussion). No additional impairment charges were recorded during the nine months ended May 31, 2010 related to the Rogers County and Rodney South assets.

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 Agreement of \$555,212. Although provisions were made during the six months ending May 31, 2010 for a bad debt allowance and no revenues recorded, the Corporation has not provided for a write-down of the South Rodney Royalty Right as it 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 – nine months ended May 31, 2010" on pages 3 and 4, and "Consolidated Results – three months ended May 31, 2010" on pages 7).

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 held 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 \$175,657. Additionally, the Corporation held a fifty (50%) percent working interest in an aggregate of 500 acres, located in north central Taylor County, Texas for total consideration of \$41,848. The Young and Taylor County, Texas oilfield leases expired in May 2010, and the assets were eliminated from the Corporation's balance sheet and a one-time, non-cash expense of \$217,505 was recorded.



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

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 \$858,770 from the prior year-end to \$1,731,812. This was due to increases in accounts payable and accrued liabilities of \$933,432 which are reflective of increased activities required to build up tool inventories. The increase was partially off-set by a reduction in amounts due to shareholders by \$75,470.

Liquidity

As at May 31, 2010, the Corporation had working capital of \$30,639,531. 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.

Financings

During the nine month period ended May 31, 2010, the Corporation 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 by 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 whole warrant (the "Warrant") entitles the holder to purchase an additional common share at a price of \$2.75 per share for twelve months expiring on April 27, 2011, subject to an accelerated expiry date; commencing on August 27, 2010, if the volume weighted average trading price of a Share on the TSX Venture Exchange, or any other stock exchange on which the 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 received an 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 were \$20,022,362 and will be used to fabricate inventory of Powerwave and Primawave systems, the financing of an international expansion plan, and for general corporate purposes and unallocated working capital.

In addition, during the reporting period ended May 31, 2010, 359,266 incentive stock options were exercised by employees and a director of the Corporation, at a prices ranging from \$0.45 to \$0.97, resulting in gross proceeds of \$176,947.



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

Capital Resources

The Corporation, other than the normal course of business operation and building of Powerwave and Primawave systems, has no commitments for capital expenditures.

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

- 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.
- The research, development and design of additional Powerwave and Primawave systems to allow the Corporation to expand the applications of its technology and to optimize its Technology with existing clientele.

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

As of July 27, 2010, there are no amounts owed in respect of the lines of credit and the Corporation had \$29,919,696 of cash and cash equivalents on hand. Of the cash and cash equivalents on hand, the Corporation has \$19 million in an open Guaranteed Investment Certificates ("GIC") and \$9,650,000 in an open term deposit on deposit with TD Canada Trust, a Canadian chartered bank. The investment in the open GIC is for a 31 day term, maturing on August 26, 2010, with an interest rate of 0.65% but with the flexibility of an early cashing options. The term deposit has a 32 day term, maturing on August 3, 2010, with an interest rate of 0.50%. 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:

As at May 31, 2010	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating lease obligations	96,790	23,733	73,057	-	-
	\$ 96,790	\$ 23,733	\$ 73,057	\$ -	\$ -

Management is of the opinion that its working capital position of \$30,639,531 as at May 31, 2010 is sufficient to cover its current commitments and operations for the forthcoming fiscal year.

The majority of expenditures related to Greentree 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.



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

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) Subsequent to the reporting period 75,000 incentive stock options were issued to a new director of the Corporation with an exercise price of \$1.45. The incentive stock options are set to expire July 14, 2015.
- iv) 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 May 31, 2010, amounts recorded under non-participation amounts owed totalled \$718,072 (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 May 31, 2009, there was a material decline in commodity prices. The Corporation recorded an impairment charge against its Rogers County oilfield property, plant and equipment and non-participation amounts by \$1,133,936. No additional impairment charges were recorded during the nine months ended May 31, 2010.

PROPOSED TRANSACTIONS

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

OUTLOOK

The Corporation is in the fortunate position of having the financial strength to advance our growth plans and we remain focused on our long-term strategy of becoming the dominant player in injection processes throughout the globe.



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

Of immediate importance is addressing the backlog of Powerwave installations that have been deferred given delays related to identifying tool operating parameters and tool re-design to provide each client the best possible solution for Powerwave success. In the medium-term our goal remains to establish a multi-national customer base that solidifies Powerwave as a primary method of flooding during secondary and tertiary oil recovery.

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; spend prudently and take decisive actions where necessary to improve operating income.

SUPPLEMENTARY INFORMATION

Summary of Quarterly Results (Three months ended)

	3rd Qtr May 31'10	2nd Qtr Feb 28'10	1st Qtr Nov 30'09	4th Qtr Aug 31 '09
Revenue	\$ 693,938	\$ 500,638	\$ 576,327	\$ 537,776
Net Loss	\$ (1,820,988)	\$ (1,778,332)	\$ (1,318,487)	\$ (1,929,087)
Basic and diluted loss per share	\$ (0.025)	\$ (0.025)	\$ (0.018)	\$ (0.026)
Common shares outstanding				
Weighted average shares outstanding	73,401,295	72,028,109	71,946,949	71,513,398
Diluted shares outstanding	73,828,664	72,463,649	72,500,051	72,650,881

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

(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.



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

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 nine months ended May 31, 2010.

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 Principles ("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 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 & Touche 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 GAAP and IFRS, draft mock financial statements with the objective of finalizing its IFRS accounting policy choices and be able to perform a calculation of 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, 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 risk 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 July 27, 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).