

WAVEFRONT

Wavefront Technology Solutions Inc.

- Annual Report
- For the fiscal
- year ended
- August 31, 2011



The following discussion and analysis of financial results should be read in conjunction with the audited financial statements and the accompanying notes for the year ended August 31, 2010 and is based on information available to December 2, 2011. Additional information on Wavefront Technology Solutions Inc.'s (the "Corporation" or "Wavefront") is available on SEDAR at www.sedar.com.



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

MANAGEMENT'S RESPONSIBILITY

The management of Wavefront Technology Solutions Inc. ("Wavefront" or "the Company") 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 Wavefront's Audit Committee and Board of Directors. This Management Discussion and Analysis of Financial Condition and Results from Operations contains information available to December 2, 2011.

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

NON-GAAP MEASURES

The Company uses both Generally Accepted Accounting Principles ("GAAP") in Canada and non-GAAP measures to make strategic decisions and set targets and believes that these non-GAAP measures provide useful supplemental information to investors. "Working capital", "gross profit", "gross profit margin", and "cash from operations" are measures used by the Company that do not have a standard meaning prescribed by GAAP and may not be comparable to similar measures used by other companies.

Working capital is calculated by subtracting current liabilities from current assets. Gross profit is calculated by deducting direct costs, such as direct materials, direct labour, sub-contractors, shipping, duties and taxes, and travel related expenditures, from gross revenue. Gross profit margin is calculated by dividing the gross profit by gross revenue.

Cash from operations is defined as cash flows from operating activities before changes in non-cash working capital, and does not include non-cash expenditures.

Backlog is defined as the net total of orders that have not yet been included in revenue and that management has assessed as having a higher certainty than not of being performed because of the existence of a contract or purchase order specifying the scope, value and timing of an order. It does not include recurring revenue contracts.

OVERVIEW OF BUSINESS

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

Wavefront 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 fluid 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 multi-patented fluid flow process is applicable to all fluid injection and is marketed in the energy sector as PowerwaveTM and in the environmental sector as PrimawaveTM (collectively known as the "Technology"). Although Powerwave and Primawave are practiced using a plurality of tools, it is important to note that the tools are ancillary to the process. The characteristics of the reservoir or aquifer, well completions design, or client considerations determine Powerwave and Primawave tool selection.



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Business Strategy and Competitive Landscape

As a technology-based company, Wavefront positioned itself as the global leader in differentiated fluid flow technologies to maximize reservoir recovery processes. Wavefront has developed, and continues to develop and assess, unique technologies focused on differentiated fluid flow. Currently the Company has 41 patents granted and pending related to reservoir recovery processes based on differentiated fluid flow.

Our main product lines, with the corresponding technologies and services, consist of:

1. Secondary and tertiary oil recovery technologies involve the injection of a fluid - water, chemicals, microbial nutrients, CO₂, etc.

Globally, it is estimated that there are approximately 250,000 wells used as injection points for secondary and tertiary recovery methods thus significant opportunity exists for revenue generation. As such, our Company's current principal target market is secondary and tertiary oil recovery (i.e. waterflooding, CO₂ flooding, polymer flooding, etc), and more specifically, the use of Powerwave in flooding applications where flooding projects tend to be longer-term, lasting five to over twenty years, in duration. In this market our Company's licenses Powerwave to oil producers on a monthly basis.

In the secondary or tertiary oil recovery, Wavefront considers competition to come from the status quo, i.e., established flooding practices or replacement of reserves through drilling additional wells. In either case Wavefront believes that Powerwave has significant advantages over the status quo. Field results have verified this assumption. Indirect competition to Powerwave in the secondary and tertiary oil schemes reside in acoustic or seismic techniques that create large or small scale "shock" waves in a reservoir. These waveforms are more suited for the near well bore environment as opposed to field wide stimulation process as they do little to improve the distribution and penetration depth of injected fluids which is the primary benefit of Powerwave.

The base licensing rate is \$6,000 per Powerwave system per month, with a targeted average rate of \$3,000 per system per month. Wavefront currently markets Powerwave to secondary and tertiary oil recovery markets directly to the senior management, to asset managers, and engineering staff of oil producers. Where advantageous, or when dictated by certain business practices of foreign countries, the Company may enter into strategic alliances or appoint certified agents to promote and deliver Powerwave.

Once oil producers begin production, cost control is a key objective. The Company has, at its cost, analyzed Powerwave results, when injection and production data has been made available to the Wavefront, and prepared detailed reports to its clients. This ability, in the near-term, has been a driving factor for the expansion of existing Powerwave projects.

Wavefront's efforts in commercialization have largely been successful when it has an "anchor" client that has adopted Powerwave, beyond a field trial, in a particular region. The Company target's these early adaptors to be anchors and thought leaders in enhanced oil recovery. The Company's goal is to obtain additional anchor clients internationally to accelerate Powerwave adoption.

2. Stimulation of oil production and injector wells

Oil well stimulations are a remedial operation performed on production wells in order to restore or enhance productivity. Well stimulations may occur from once to multiply times per year, depending on production levels. In many instances a chemical is injected into the well to stimulate a producing interval however during this operation the importance of placing the chemical correctly is often underestimated. Well stimulations can be completed in hours or days, and are normally are performed using coiled tubing, hydraulic workover, or "slickline" units. In these instances a Powerwave tool is used in conjunction with standard equipment.

In the well stimulation market Powerwave must compete with established techniques such as seismic, acoustics, jetting tools, well re-perforation, PST stimulations (explosive jet fuel), selective perforation washing, and high velocity oil introduction into wellbores. Although there is a wide range of options available to oil producers to stimulate injection and production wells, none of the aforementioned approaches will provide for improved fluid distribution and penetration depth that Powerwave can achieve. It is thus, believed that Powerwave will be more effective in treating a larger portion of the reservoir.

The base licensing rates range from \$2,000 to \$8,000 per day. Oil well stimulations, due to the short term nature of the project, require men and equipment present for the duration of the stimulation. Further oil well stimulation decisions tend to be done at the asset level. As a result some sort of local market presence is required. The Company currently markets Powerwave stimulations directly to oil producers and field consultants at the asset level in the Canadian Western Sedimentary basin – the same market in which the Company provides tubing pumps and bailers. Elsewhere, the Company utilizes external services companies that wish to differentiate themselves, as certified Powerwave providers.

3. Tubing pump and bailers

A highly versatile tubing pump that provides an effective lift system for many oilfield applications and is used in heavy oil wells producing sand, light oil wells, oil wells with high water cuts, and the de-watering of gas wells. Tubing pump offers many advantages over normal pumping systems such as progressive cavity pumps ("PCP") or conventional reciprocating pumps, utilizing the Company's patented 'Coil Access Valves' allowing access through the pump from surface through the pump to the perforations or area below the pump without retrieving the pump. This can result in significant cost savings if the well has a tendency to fill up with solids or requires chemical or acid treatments.

Wavefront provides further differentiation by providing Powerwave surge cup tool in the tubing pump installation, thereby simultaneously providing reservoir stimulation during pumping operations. This module generates small fluid displacement waves that help ensure that the near wellbore area does not plug with fines or formation debris which can result in a significant drop in productivity.

The client's decision to rent tubing pumps and bailers tend to be done at the field level. As a result some form of local market presence is also required. The Company has historically had a significant market share in the tubing pump and bailer market in the Canadian Western Sedimentary basin. The Company is looking to establish itself in other markets by establishing local depots and leveraging external services companies.

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4. Environmental groundwater remediation

The groundwater remediation sector is generally understood to be the “cleaning-up” of contaminants in either a solid matrix (soil) or in groundwater. Examples of contaminated sites include but are not limited to; unregulated former disposal sites, industrial properties (refineries, chemical plants, automotive facilities), electrical facilities (PCB spills), above and below ground fuel storage sites, municipal and industrial landfills, wood preserving sites, and military training areas. Wavefront's Primawave process enhances injection approaches related to groundwater remediation.

In the environmental sector currently no direct competition exists to Primawave due to the proprietary and adjunct nature of the Company's Technology. Principal competition for in-situ and ex-situ projects are believed to reside in the status quo practice of statically injecting an amendment agent or water using conventional pumping systems.

The Company leverages Primawave's business through licensed agents and certified service providers, who often assess, manage and perform the remediation on behalf of the responsible parties. The basic licensing fee structure for Primawave is \$500 per day or \$4,000 per month inclusive of the tool.

An emerging market segment related to the Technology is the '*in-situ leaching or ISL*' market. This market may also be known as '*in-situ recovery or ISR*'. ISL or ISR are mining processes used to recover minerals such as copper and uranium using an injection/recovery scheme equivalent to waterflooding in the oil sector. During ISL and ISR a leaching solution is injected into an ore-bearing deposit containing the mineral ore. The leaching solution dissolves the ore which is brought to the surface via production wells. Typically the ratio of injection to producing wells is 5 to 1. The major areas of ISL or ISR mining are the Western United States, Australia, and Kazakhstan.

Fundamental to our Company's business strategy is to create recurring revenue models where Wavefront licenses its Technologies to third parties or end users the right to use tools or systems. The Company's business model is to create a high margin, recurring revenue licensing stream to enhance shareholder value. In licensing the Technology, the Company does not sell or otherwise transfer ownership to third parties or end users the tools or systems, thus maintaining a strong measure of control over future developments.

Technology Adoption

Wavefront believes Powerwave to be a game changing technology that may ultimately help contribute billions of barrels of oil production globally.

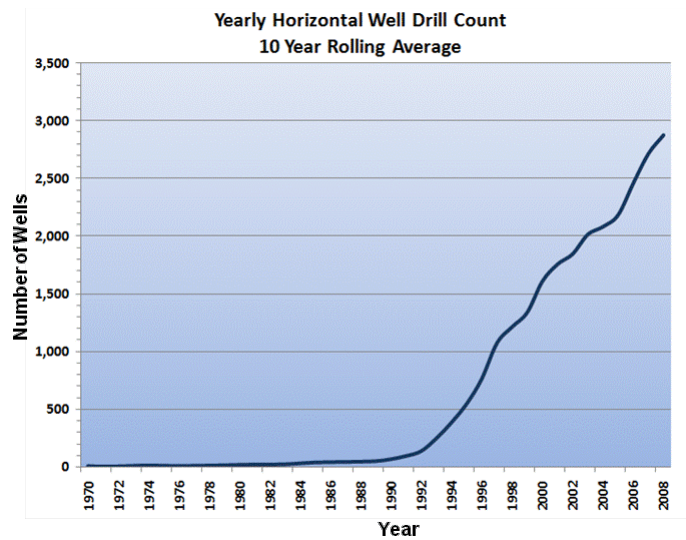
The energy industry's history indicates that adopting new technology is viewed as an economic risk, with initial pilot project costs and uncertain economic outcomes, compared to the certainty of the status quo. Early adopters often only move to extend technology use, after confirmed and sometimes multiple past performance confirmation of success. Further, there may also exist a “my reservoir is different” attitude which leads to longer sales cycles where each potential client will conduct its own pilot before embarking on wider technology adoption.

The horizontal oil well drilling commercialization followed the industry's historical adoption profile. Horizontal drilling was a game changing technology that is now a standard technology used in the energy industry. It was invented decades ago but once the above obstacles were overcome, the growth was rapid and continues to this day. The following charts illustrate the commercialization of the horizontal oil well drilling in Western Canada for the

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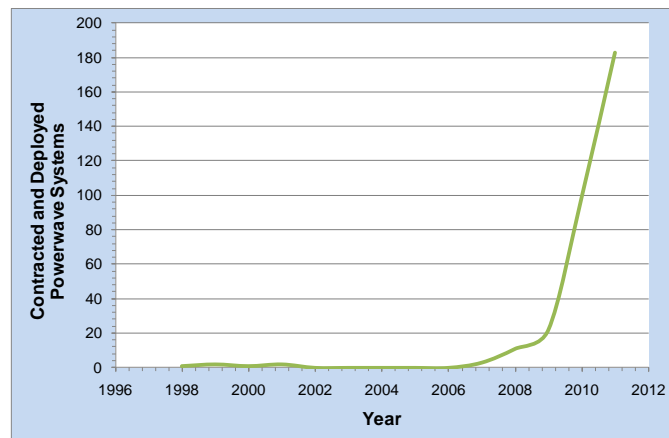
period November 1998 to November 2011, and the Powerwave growth rate for secondary recovery applications from 1970 to 2011 on a rolling year average.

Although our Company’s Technology was first introduced in late 1998 as scientific theory, it was not until 2007 that anchor client acceptance commenced. Since that time the rate of Powerwave adoption has been appreciable in both secondary and tertiary oil recovery.¹



source: Divestco

Growth Rate of Powerwave in Secondary Recovery Applications



¹ It must be noted that the charts above, related to the technology adaptation cycle for horizontal oil well drilling and for Powerwave, are not to similar scale, and are for illustrative purposes only. The chart in respect of Powerwave is not intended to be indicative of the results expected in future periods, nor is the reader intended to assume that the technology adaptation cycle for horizontal oil well drilling is predictive of Powerwave's future results.

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Historically, Powerwave pilot programs have ranged from a one-well pilot in one producing oil field to upwards of a twelve-well pilot across multiple assets. As Powerwave case studies and economic benefits are better understood and become more widely known, it is anticipated that more rapid growth in multiple locations will be experienced.

Wavefront believes that it has sufficient field evidence and case histories, in terms of production and economic data, to enhance the Technology's commercialization in current markets, and to establish anchor clients in new geographic markets.

OUTLOOK

In the long term, we believe that based on Wavefront's suite of Technologies, patents, know-how and the Powerwave brand name that we are well-positioned to take advantage of the market opportunities related to improved oil recovery. On this basis, our Company anticipates continued annual revenue growth, leading to profitability. The Company also expects to increase total dollar gross margins, however, gross margin percentages may vary depending on the mix of products and services sold. Expenses, as a percentage of revenue, are expected to decrease over the next five years.

In the short term, quarterly results will still be susceptible to quarter-over-quarter variability in all our product lines and key markets due to the commercial adaption rates and macro economics. Although economic conditions have improved, the risk of volatility in the commodity and financial markets remains, which may influence our Company's efforts to commercialize Powerwave in the oil sector. However, the increasing confidence and demonstrated case histories and commercial benefits in the energy sector have lead to increased sales. The Company anticipates that this trend will continue but the rate may be influenced by outside factors.

The downturn in the US economy over the past three years has and continues to have a negative impact on Brownfield (abandoned industrial sites with environmental contamination) redevelopment and addressing property transfer liabilities which represent two large markets for environmental groundwater remediation. Given the US real estate market activity, Primawave usage is not projected to grow significantly in fiscal 2012. With increased activity in the Western Canadian Sedimentary Basin it is anticipated that the Company's pump and tubing bailer rental business in western Canada will see moderate growth. However, the Company will look to other markets to grow the product line.

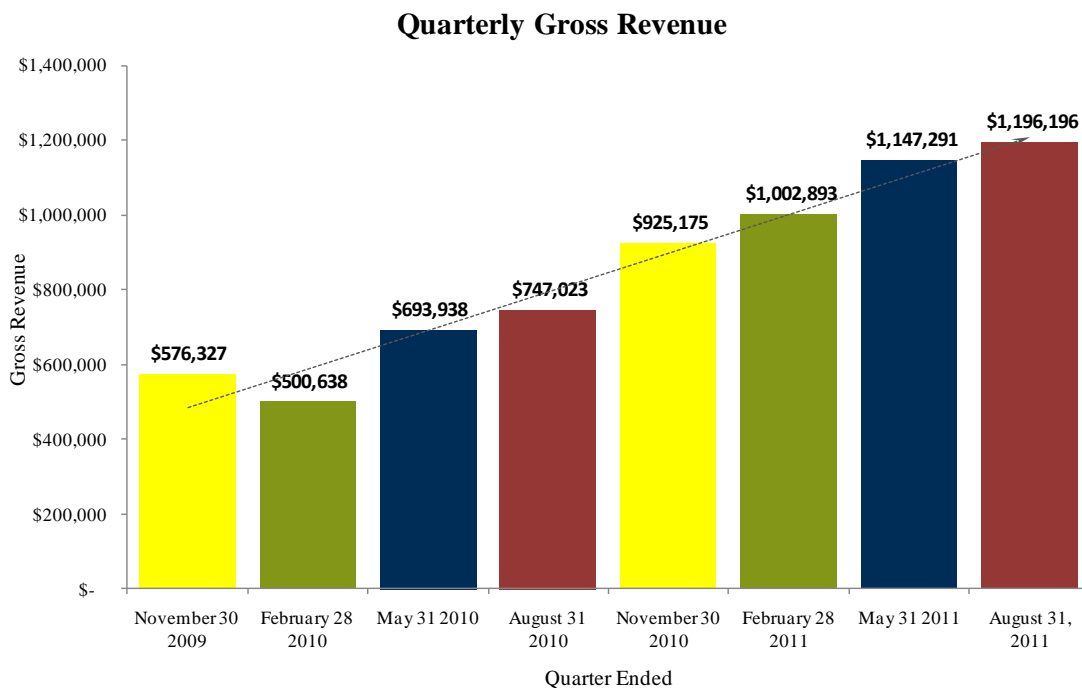
Our objective remains to focus on long term growth and profitability for the Company. Research and development will continue to be a key focus as the Company continues to invest in new Powerwave systems and tools, and service developments and enhancements. Additional resources will continue to be committed to sales and marketing as the Company further commercializes its Technologies and develops its global sales channels and continues to promote its Technologies and services in key target markets. Acquisitions will continue to be evaluated for strategic growth in geographical areas and technology advances.

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OVERALL RESULTS FROM OPERATIONS

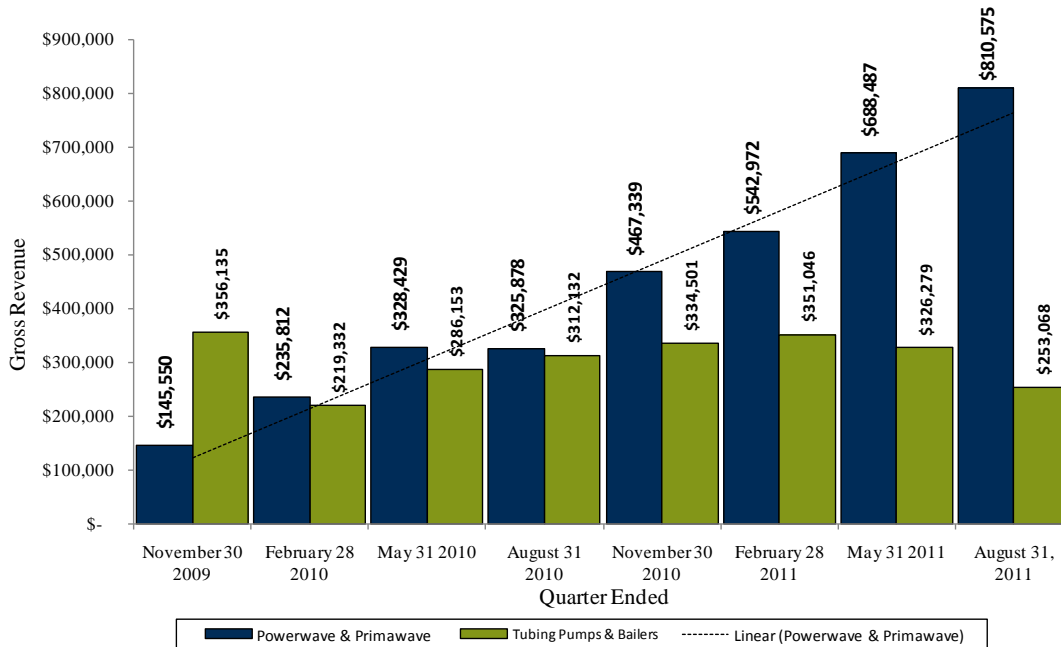
Our Company operates with one reportable segment. We are positioned as a technology company and have used its oil field assets to showcase the Company’s technologies, as such; it does not present its operational results on a segmented basis.

In fiscal 2011, we continued to achieve strong advances in commercialization as total revenue amounted to \$4,271,555, a 70% increase or \$1,753,629 over the comparative period that reported total revenues of \$2,517,926. Record Powerwave installation in the fourth quarter did not impact revenue as much as anticipated due to installations being completed late in the quarter. Futures periods will benefit as the revenue from late installations will be recognized over the life of the contract. The fourth quarter gross revenue amounted to \$1,196,196, which was an increase over gross revenue for the prior quarter ending May 31, 2011. The following chart sets out the gross quarterly revenue for the past eight quarters.



The tubing pump and bailer product lines revenue totalled \$1,217,168, an increase of \$77,916 from \$1,139,252 recorded in the comparative period in 2010. The increase in tubing pump and bailer product line revenues is primarily a result of increased industry activity in the heavy oil sector of the Western Canadian Sedimentary Basin throughout the fiscal year. As at August 31, 2011, the tubing pumps and bailer product line contributed 23.9% (2010 – 48.3%) of service revenues and royalties. The decrease in the tubing pumps and bailer product line product mix relates to the growing revenue attributed to Powerwave. Gross quarterly revenues for the fourth quarter ended August 31, 2011 for Powerwave approximated 68% of service revenues and royalties; whereas in the comparative reporting period, Powerwave approximated 45% of gross service revenues and royalties. Quarter over quarter, Powerwave and Primawave revenue growth has been the strongest growth by product line, as illustrated in the chart below.

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During the fiscal year the Company received two international Powerwave contracts in Oman and Argentina respectively. In Oman the client company is owned by the Government of Oman, Shell Group, Total and Partex (60%, 34%, 4% and 2% interest respectively). Powerwave installations had not been completed by fiscal year end, however all equipment is on site and Wavefront is waiting on rig availability to commence the project. In Argentina, the client, Plus Petrol S.A., is the fourth largest oil producer in Argentina and has additional operations in Peru, Bolivia, Venezuela, Colombia, and Angola. Subsequent to the reporting period, the Powerwave systems were installed and waiting on initial results, expected between 2 and 8 months.

In the third quarter of fiscal 2011, the Company received a master service agreement from an existing Texas client to expand Powerwave implementation to its light-oil waterflood operations in Lost Hills, California. The Lost Hills project is designed to use Powerwave to reduce production decline rate, extend field life, and increase oil recovery factor. Subsequent to the reporting period, initial installations commenced and Wavefront is waiting on the client to complete remaining installations currently scheduled in December 2011.

The Company continues to secure Powerwave waterflood applications with Pemex initially announced in fiscal year 2010. Presently the Company has been asked, and the Company has submitted detailed work plans to implement Powerwave waterfloods in the San Andres and 5 Presidentes operating assets. The Company continues to pursue other opportunities in additional producing assets.

To meet national operating obligations and have a local marketing presence during the fiscal year the Company entered into agency agreements in Oman, Colombia, and Argentina. In Oman, Wavefront appointed Marjam Petroleum as its agent; in Colombia, the Company appointed SAR Energy as its agent; and, in Argentina, Wavefront appointed Chilicote S.A. as its agent.

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The following key highlight and initiatives occurred in 2011 fiscal year:

- i) To meet forecasted demand and to develop new market opportunities, our Company hired a senior sales manager from Baker Hughes Reservoir Development Services.
- ii) To streamline tool assembly and testing, the Company relocated its corporate and main warehouse facilities in Edmonton, Alberta closer to the energy services cluster in southeast Edmonton. The capacity of the assembly and testing stations is now four times larger than the warehouse previously occupied.

To establish a presence in the heart of the western Canadian energy market, the Company opened a sales and marketing office in Calgary, Alberta.

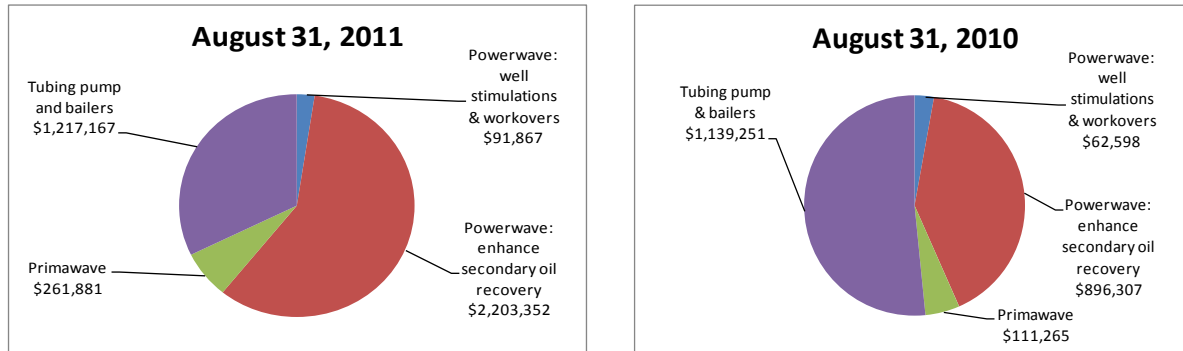
- iii) Given the paradigm shift that our Technology represents to the market place, we were able to capitalize on Canada's Scientific Research and Experimental Development ("SR&ED") tax incentive program. Under the SR&ED program, the Company made application and an obtained cash refund related to research and development in the amount of \$137,486 from the province of Alberta. As a result of the applications, the Company earned input tax credits of \$308,423 (total input tax credits carried forward is now \$560,571, and SR&ED pool carried forward is now \$2,447,096). The refunds related to tool development projects in fiscal 2009 and 2010.
- iv) During the fiscal year, we utilized external sales and marketing experts to help assess current strategies and initiatives, that resulted in the following initiatives, that are proceeding as of the date of this report:
 - Develop and enhance the brand story and differentiation through customer success and industry stories
 - Developed a client leadership model to leverage across the industry
 - Identified two media trends: shift in media distribution and identifying optimal channels. This involved developing and implementing online networking, video, website and micro website, and social media strategies
- v) During the fiscal year we undertook the research and development of new Powerwave system that may be able to create fluid pressure pulses at the surface versus down hole. The advantages of creating a fluid pressure pulse at surface include opening a larger number of well candidates where Powerwave could be deployed, and reducing the overall cost of a Powerwave installation.

Consolidated Results – fiscal year ended August 31, 2011

Revenues

Revenues for the fiscal year ended August 31, 2011 were \$4,271,555, an increase of \$1,753,629 over the comparative period in 2010 that recognized revenues of \$2,517,926. Core revenues related to the Technology totalled \$3,774,267, compared to core revenues of \$2,209,421 for the comparative period. The increase of \$1,564,846 can be characterized as follows:

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This approximate 69.6% in increased core revenues related to the Technology is primarily a result of continued increase in the commercialization of Powerwave and Primawave, and a return of activity to the tubing pump and bailer product lines in Western Canadian Sedimentary Basin.

Powerwave product line revenues can be broken into short-term projects involving well stimulations and long-term projects related to using Wavefront's Technology to enhance secondary oil recovery in waterflood or CO₂ flooding applications. For fiscal 2011 Powerwave revenues related to well stimulations totalled \$91,867 (2010 – 62,598). It is believed that Powerwave well stimulations may lead to secondary oil recovery applications as client companies become more familiar with the Technology and can obtain and validate their own data related to Powerwave.

For fiscal 2011, the total revenue of long-term Powerwave projects related to secondary and tertiary oil recovery involving either waterflooding or CO₂ flooding totalled \$2,203,352 compared to \$896,307 in the comparative period. The increase in the related long-term Powerwave revenue relates to increase in the number of contracts entered into, expansion of installations, and a reduction of discounts and incentives. The growth also relates to customers increasing the number of licensed Powerwave systems and was driven by continuous results in increasing oil production and water cut, and decreasing reservoir decline rates.

For fiscal 2011 revenues from the tubing pumps and bailer product totalled \$1,217,167, an increase of \$77,916 from that of the comparative period. The increase of tubing pumps and bailer product revenues relates to strong quarters earlier on in the fiscal year.

For fiscal 2011, Primawave revenues totalled \$261,881 for the reporting period, an increase of 135% or \$150,616 over \$111,265 from the comparative reporting period. The increase in Primawave revenues relates to increases in customer use and the expansion of the customer base. Our customers are typically environmental consultants and service contractors that utilize Primawave technology to expedite groundwater remediation. Primawave revenues comprise of a licensing fee and primarily relate to shorter term in-situ remediation work.

During the fiscal year ended August 31, 2011, the Company also recognized production and operator revenues of \$217,357 (2010 - \$188,274) related to the Rogers County and Rodney South ventures. Of the production and operator revenues recognized, \$142,793 (2010 - \$88,435) relates to the Rodney South venture, and \$74,564 (2010 - \$99,839) relates to the Rogers County venture.

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Interest revenue for the reporting period increased to \$279,930 compared to \$120,231 for the comparative period. The increase of \$159,699 relates to higher principal balances for the bulk of the fiscal year and receiving higher interest rates.

Geographically, \$3,513,407 (2010 – \$1,973,031) in revenue was generated in Canada, \$740,748 (2010 - \$544,895) from the United States, and \$17,400 internationally. The geographic revenues are more specifically described as follows:

Canada. Gross revenues in our Canadian operation increased by 79% to \$3,530,8078 compared to \$1,973,031 in fiscal 2010. Given the heavy and light oil price differential and increase production cost, it is believed that the Canadian market to be more aggressive in the adaptation of new technology. Not surprisingly many new technologies (i.e., directional drilling, coiled tubing, multi-zone fracturing, etc.) originate in Canada and are thus, first commercialized in Canada.

Powerwave secondary and tertiary flooding applications revenues totalled \$1,819,746 (2010 - \$557,067); Powerwave stimulation revenues in Canada totalled \$70,500 (2010 - \$34,500); Primawave revenues totalled \$2,500 (2010 - \$7,000); tubing pump and bailer revenues totalled \$1,217,167 (2010 - \$1,142,252); oil production revenue totalled \$142,793 (2010 - \$83,435); and interest revenue totalled \$247,051 (2010 - \$117,338). We believe that Powerwave revenues will continue to grow in 2012 as the Technology offering is expanded; however, without the establishment of depots the tubing pump and bailer revenues will only experience moderate growth.

United States. Gross revenues in our US operation increased by 36% to \$740,748 (2010 - \$544,895). Powerwave secondary and tertiary flooding applications revenues totalled \$383,605 (2010 - \$342,579); Powerwave stimulation revenues totalled \$21,367 (2010 - \$25,498); Primawave revenues totalled \$216,197 (2010 - \$73,345); and oil production revenue totalled \$74,564 (2010 - \$99,839). The Company's focus in the US is on Powerwave stimulation and in secondary and tertiary oil recovery projects. Our Company's goal is to secure key additional anchor clients in fiscal 2012.

Direct Expenses

Direct expenses principally relate to the direct labour, consumable parts and third party installation costs of Powerwave, Primawave, and tubing pump and bailer product lines. Any losses related to Powerwave projects are immediately recognized and have the effect of increasing direct cost for the period in which they occur or are known to occur.

Direct expenses relate to service revenue and royalties revenue, which is associated with the delivery of Powerwave and Primawave, and tubing pumps and bailer. Direct expenses decreased to \$1,002,039 (or 26.5% of gross services and royalty revenue) compared to \$1,202,068 (or 54.4% of gross service and royalty revenues) for the comparative reporting period.

The change in direct costs was due to the following:

- A growing shift in product mix to Powerwave and Primawave (see below table on relative direct costs to revenue); and,
- Greater stabilization of direct costs on Powerwave related projects.



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The following table sets out the gross profit margins by product line for fiscal 2011:

	Powerwave	Primawave	Tubing pumps & bailers	Total
Gross revenues	2,295,742	261,357	1,217,168	3,774,267
Direct costs	454,319	22,644	525,076	1,002,039
	1,841,423	238,713	692,092	2,772,228
Gross profit margin (note 1)	80.2%	91.3%	56.9%	73.5%

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

Other Expenses

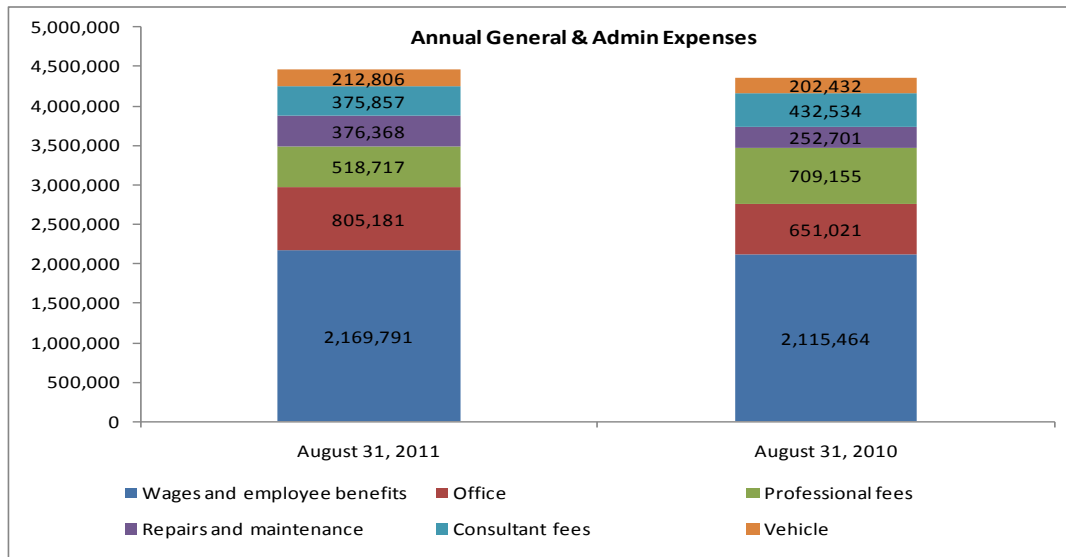
Other expenses for the period amounted to \$7,769,454, compared to \$9,954,647 in 2010. The decrease in these expenses of \$2,185,193 was principally a result of the following changes:

- i) During fiscal 2010, the comparative reporting period, Wavefront recorded non-cash write-downs of \$1,925,937, related to the following oilfield property, plant and equipment:
 - a. Mineral right leases associated with the Texas oilfields in Young and Taylor County expired. Ownership of the oilfields was not viewed as core to Wavefront's strategy; as a result, we did not renegotiate any further terms nor enter into any subsequent agreements, and recorded a full write-down of the carrying value of these oilfields of \$217,505. No write-downs related to oilfield assets were identified in the current reporting period.
 - b. The Company entered into a Quit Claim and Conveyance Agreement with Greentree Gas & Oil Ltd. ("Greentree"), where by Wavefront forgave all amounts owing to Wavefront by Greentree in respect of the Net Over-riding Royalty Rights for the period prior to April 30, 2010. As a result of the Quit Claim and Conveyance Agreement, the Company derecognized the Net Over-riding Royalty rights, an intangible asset, and recorded the transferred assets as oilfield property, plant and equipment (see "Oilfield Property, Plant and Equipment" on page 18). Wavefront viewed the derecognizing the Net Over-riding Royalty rights to a proportionate interest in oilfield property plant and equipment, and the decrease of a 70% net royalty interest to a 50% working interest, as a triggering event, causing it to reassess the fair value of Wavefront's assets related to the South Rodney oilfield. As a result, Wavefront recorded a non-cash write-down of its Rodney South oilfield related property; plant and equipment by \$622,835 (see Assets and Liabilities). The calculated amounts to be written down, and the resulting carrying value of the South Rodney assets, may not be indicative of the actual values.
 - c. The Company reviewed the operating performance of the Roger's County oilfield. And as third party customers were using and evaluating Powerwave data and effectiveness from their own oilfields, the Rogers County oilfield became of less strategic importance to maintain and operate. Based on the expected operating cash flows from Rogers County Wavefront reassessed the fair value of the assets related to the Roger's County and recorded a non-cash full impairment charge against the Rogers County oilfield and related assets in the amount of \$1,085,597 (see Assets and Liabilities). The calculated amounts to be written down, and the resulting carrying value of the Rogers County assets, may not be indicative of the actual values.

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- ii) A decrease of \$695,173 in "research and development" expenses related to a recovery of costs of \$137,486 from an approved application via the Scientific Research and Experimental Development tax incentive program offered by the province of Alberta. The refunds related to tool development projects in fiscal 2009 and 2010. In addition, certain tool designs and developments were abandoned in fiscal 2010, the comparative period, which totalled \$557,687 and accounted for the balance of the decrease in research and development expenses.
- iii) An increase in stock compensation of \$242,797 to \$648,781 principally attributed to the issuance of 1,020,000 incentive stock options during the twelve months ended August 31, 2011 (see note 12 to the interim financial statements for the year ended August 31, 2011 for further discussion).
- iv) A non-cash expense of \$191,464 in the "write-down of disposal of property, plant and equipment" that relates to certain Powerwave tools that were determined by management to be functionally obsolete or where the repair costs exceeded the carrying value of those tools. The determination of Powerwave tool obsolescence was made in light of the Company developing better or less expensive tools.
- v) A decrease in "listing and public company fees" of \$61,036 to \$155,154 principally related to a reduction of board fees paid in the current period of \$11,000, lower costs associated with external media communications of \$18,861, and \$16,000 decrease in costs associated with the Annual General Meeting.
- vi) An increase in "amortization, depreciation, depletion and accretion" expenses of \$62,878. Of the \$973,293 in amortization, depreciation, depletion and accretion expenses, \$563,206 relates to property, plant and equipment associated with Powerwave and Primawave and \$39,412 relates tubing pump and bailer product lines. The increase relates to the Company maintaining a larger inventory of Powerwave and Primawave tools to meet growing customer demand.
- vii) A decrease of \$58,879 in "selling, marketing, and travel" expense relates to focusing on the expansion of projects across existing client assets and expanding of the customer base in geographic locations in which our Company has operating projects. Sales and marketing expenses as a percentage of gross service revenue and royalties was 26.8%, compared to 48.4% for the comparative period and reflect the success of the target focus.
- viii) General and administrative remained relatively stable increasing only \$19,557, despite the approximate 70% increase in gross revenue. The following chart provides comparative details for the general and administrative expenses:

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



- ix) A decrease of \$72,125 in “loss on disposal of property, plant and equipment” expense that related to the disposal of certain tools and equipment.

Operating Cash Flows

The following table sets out the cash used in operations for the fiscal years ended August 31, 2011 and 2010:

	2011	2010
	\$	\$
Net loss for the year	(4,499,938)	(8,638,789)
Items not affecting cash		
Amortization, depreciation and accretion	973,293	910,415
Stock based compensation	648,781	405,983
Write-down of property, plant and equipment	191,464	-
Write-down of oilfield property, plant and equipment	-	1,925,937
Gain (loss) on disposal of property, plant and equipment	(17,979)	57,146
	<u>(2,704,379)</u>	<u>(5,339,308)</u>

In addition to the above, there was a net change to non-cash working capital items of (\$657,008) in fiscal 2011 and \$220,445 in fiscal 2010. The significant drop in cash used in operations, is related to an increase in gross revenues of \$1,753,629 and a focus on operating efficiencies that resulted in saving amounting to \$881,300.

Given Wavefront’s cash and working capital positions (see Liquidity section below), the Company believes it has sufficient working capital to meet current strategic objectives.



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FOURTH QUARTER RESULTS FOR THREE MONTHS ENDED AUGUST 31, 2011

For the three months ended August 31, 2011, Wavefront continued its focus on the commercialization of Powerwave, its core strategic value proposition, and the installation of Powerwave contracts recently acquired.

Revenues

Revenues for the three months ended August 31, 2011 were \$1,196,196 an increase of \$449,172 over the comparative period in 2010 that recognized revenues of \$747,023.

During the three months ended August 31, 2011 revenues from service and royalties increased by \$425,634 principally due to the recognition of Powerwave and Primawave licensing revenues during the quarter. With the backlog of contracts on hand and recent installations, Wavefront anticipates these product lines revenues to continue to grow. However, production revenue, interest and other revenue remained relatively flat for the reporting quarter.

Direct Costs

Direct expenses for the three month period ended August 31, 2011 were \$314,513 or 29% of revenue from service and royalties (2010 - \$345,200 or 54.1% of revenue from service and royalties). The decrease in direct costs principally relates to re-installation costs in the comparative period that did not occur in the current year. The re-installation of Powerwave systems in the prior year were a one-time instance and were assessed on a well-by-well basis. The Company choose to incur such costs given the stage of commercialization the Company was at that time; currently Wavefront does not foresee any reason to incur any similar costs in the future.

Other Expenses

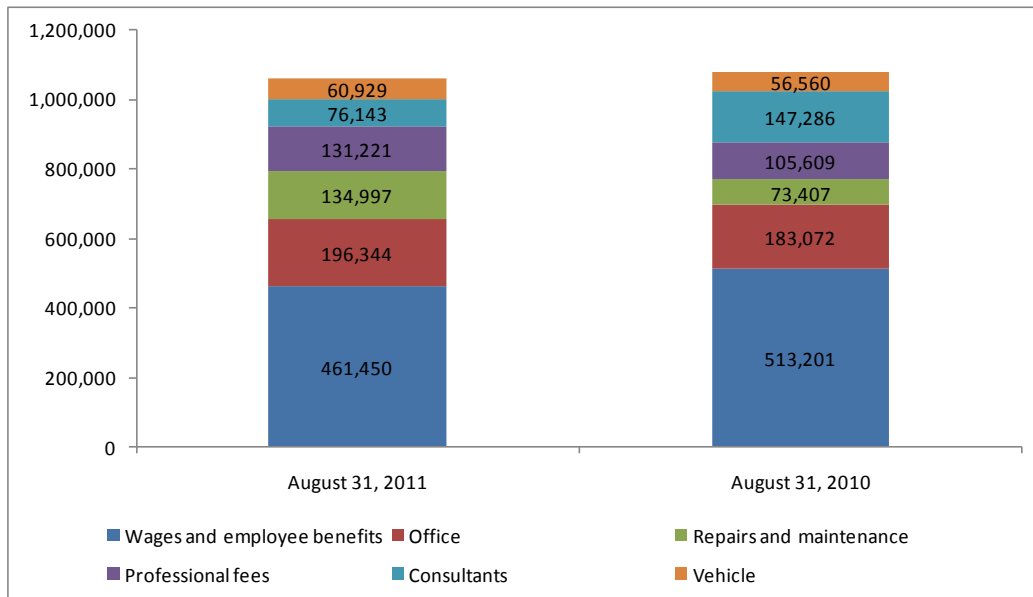
Other expenses for the three months end August 31, 2011 amounted to \$2,104,751, compared to \$4,122,785 in 2010. The decrease in expenses of \$2,018,035, and was principally a result of the following changes:

- i) During the comparative reporting period the Company recorded non-cash write-downs of \$1,708,432, related to the following oilfield property, plant and equipment:
 - a. Wavefront entered into a Quit Claim and Conveyance Agreement with Greentree Gas & Oil Ltd. ("Greentree"), where by the Company forgave all amounts owing to the Company by Greentree in respect of the Net Over-riding Royalty Rights for the period prior to April 30, 2010. As a result of the Quit Claim and Conveyance Agreement, the Company derecognized the Net Over-riding Royalty rights, an intangible asset, and recorded the transferred assets as oilfield property, plant and equipment (see "Oilfield Property, Plant and Equipment" on page 11). The Company viewed the derecognizing the Net Over-riding Royalty rights to a proportionate interest in oilfield property plant and equipment, and the decrease of a 70% net royalty interest to a 50% working interest, as a triggering event, causing it to it to reassess the fair value of the Company's assets related to the South Rodney oilfield. As a result, the Company recorded a non-cash write-down of its Rodney South oilfield related property; plant and equipment by \$622,835 (see Assets and Liabilities). The calculated amounts to be written down, and the resulting carrying value of the South Rodney assets, may not be indicative of the actual values.
 - b. During the fiscal year ended August 2010 Wavefront reviewed the operating performance of the Roger's County oilfield. As third party customers were using and evaluating Powerwave data and

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effectiveness from their own oilfields, the Rogers County oilfield became of less strategic importance to maintain and operate. Based on the expected operating cash flows from Rogers County the Company reassessed the fair value of the assets related to the Roger’s County and recorded a non-cash full impairment charge against the Rogers County oilfield and related assets in the amount of \$1,085,597 (see Assets and Liabilities). The calculated amounts to be written down, and the resulting carrying value of the Rogers County assets, may not be indicative of the actual values.

- ii) A decrease in “research and development” costs by \$651,355 to \$9,781 from the prior year comparative of \$661,136. The decrease in research and development expenses relates to certain tool designs and developments that were abandoned in the comparative period.
- iii) A decrease in “selling and marketing” expenses of \$50,863 to \$277,302 from the prior year comparative of \$328,165, that principally relates to higher marketing costs incurred in the comparative reporting period for some Latin America projects.
- iv) An increase of “foreign exchange” translation expense of \$76,381 to a loss of \$75,420 in the current year from a gain of \$961 in the prior comparative period.
- v) An increase in “stock based compensation” expense of \$106,912 to \$176,581 from \$69,669 in the comparative year that relates to issuances of incentive stock options throughout the year.
- vi) General and administrative expenses remained relatively stable, increasing only \$5,136, despite the approximate 60% increase in gross revenue for the quarter. The following chart provides comparative details for the general and administrative expenses:





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SUMMARY OF QUARTERLY RESULTS AND LOSS PER SHARE

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

	4th Qtr Aug 31 '11	3rd Qtr May 31 '11	2nd Qtr Feb 28 '11	1st Qtr Nov 30'10	Annual
Fiscal 2011					
Revenue	\$ 1,196,196	\$ 1,147,291	\$ 1,002,893	\$ 925,175	\$ 4,271,555
Net Loss	\$ (1,223,069)	\$ (929,407)	\$ (870,610)	\$ (1,476,852)	\$ (4,499,938)
Basic and diluted loss per share	\$ (0.016)	\$ (0.011)	\$ (0.010)	\$ (0.018)	\$ (0.054)
Common shares outstanding					
Weighted average shares outstanding	82,837,923	82,835,682	82,833,538	82,827,568	82,837,923
Diluted shares outstanding	84,135,272	84,500,376	84,064,547	84,075,144	84,135,272

	4th Qtr Aug 31 '10	3rd Qtr May 31 '10	2nd Qtr Feb 28 '10	1st Qtr Nov 30'09	Annual
Fiscal 2010					
Revenue	\$ 747,023	\$ 693,938	\$ 500,638	\$ 576,327	\$ 2,517,926
Net Loss	\$ (3,720,982)	\$ (1,820,988)	\$ (1,778,332)	\$ (1,318,487)	\$ (8,638,789)
Basic and diluted loss per share	\$ (0.049)	\$ (0.025)	\$ (0.025)	\$ (0.018)	\$ (0.110)
Common shares outstanding					
Weighted average shares outstanding	75,770,126	73,401,295	72,028,109	71,946,949	75,770,126
Diluted shares outstanding	76,133,567	73,828,664	72,463,649	72,500,051	76,133,567

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

(2) All amounts in Canadian dollars except share data

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total current assets decreased by \$4,419,859 to \$26,071,859 from the prior year end. The net decrease was relates to decrease in current assets to fund working capital, the purchase intangible assets and Powerwave assets. Current assets were also affected by Wavefront's increase in Powerwave and tubing bailer contracts that have resulted in increases in accounts receivable and inventories by \$179,951 and \$273,956 respectively to \$1,045,043 and \$373,925. The changes in accounts receivable reflect timing differences in incurring installation expenses and collecting receivables and are directly related to increased Powerwave contracts and our financial accounting policy of recognizing Powerwave revenues and direct costs equally over the term of the contracts.

Non-current assets included an increase of \$438,642 in property, plant and equipment to \$5,342,302 that related to increases in Powerwave and Primawave equipment and leasehold improvements related to the Edmonton office and warehouse.



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Oilfield Property, Plant and Equipment

The initial acquisitions of oilfield leases were to allow the collection of and auditing of Powerwave data, and to showcase our Company's Technology. As Wavefront's clients gain their own experience as to the effectiveness of Powerwave, collect their own Powerwave data and results and there is a greater commercialization of the Powerwave technology across the market, the strategic importance of Wavefront's oilfield assets has diminished. The data however, originally obtained from our Company's various oilfield leases and related assets led directly to the early market adoption, and subsequent expansion, of Powerwave's commercialization.

Rogers County Oilfield

During 2005, our Company entered into an Option Agreement (the "Option Agreement") to acquire ninety percent (90%) of the working interest in the production, equipment and mineral leases of Phoenix Oil, LLC ("Phoenix") of Claremore, Oklahoma, for total consideration of \$221,400. The leases, known as the Chelsea-Alluwe Waterflood Leases, are comprised of 780 acres and are situated in Rogers County, Oklahoma. For the Option Agreement, Wavefront paid a deposit of \$18,450 that was applied to the total purchase price. A limited liability company, Boulder Oil, LLC ("Boulder") executed the Option Agreement on behalf of our Company by paying the remaining \$202,950 of the purchase price for a sixty percent (60%) working interest in the leases. In consideration for the \$18,450 deposit paid, our Company retained a thirty percent (30%) working interest in the leases. During 2006, Wavefront then acquired the ten percent (10%) working interest in the Rogers County venture from Phoenix in exchange for \$214,352 owed, bringing our Company's total working interest to forty (40%) percent. Each working interest party is responsible for operating and field development costs in proportions relative to their working interest percentage.

During the 2006 fiscal year end, our Company became the operator of record, and Boulder, as a non-operating partner, exercised its non-participation right in the Joint Operating Agreement. Under the Joint Operating Agreement, Wavefront will receive and recognize all production revenues from production wells associated with the costs incurred until such time that the Company is repaid 200% of the costs incurred, after which, production revenues will revert back to the working interest proportions.

During the 2010 fiscal year Wavefront decided to cease further development of Rogers County, so in accordance with the CICA recommendations for impairment for unproved properties under full cost accounting guidelines, the Company realized a non-cash write-down of its Rogers County oilfield property, plant and equipment and non-participation amounts amounting to \$1,085,597. The impairment loss was determined based on estimated present value of future cash flows calculated using internal production estimates and NYMEX future's prices per barrel of oil. The calculated amounts to be written-down, and the resulting carrying value of the Rogers County assets, may not be indicative of the actual values. With recording of the impairment loss in 2010, Wavefront accelerated its estimated date for oil well plugging and abandonment liabilities, which affected its retirement obligation (see "Critical Accounting Policies and Estimates", page 26).

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Rodney South Oilfield

During the 2010 year end, Wavefront entered into a Quit Claim and Conveyance Agreement, where by Wavefront forgave all amounts owing to the Company in respect of the Royalty Interest for the period prior to April 30, 2010. In consideration of the amounts forgiven, the Company received a 50% interest in the legal and beneficial rights and title in certain assets. The transferred assets are limited to the specific oil and injection wells in Rodney South, Ontario and the associated resource production from those wells. With having a working interest in the Rodney South oilfield, Wavefront was also required to recognize an asset retirement obligation (see “Critical Accounting Policies and Estimates”, page 26) related to further oil well plugging and abandonment liabilities.

Wavefront viewed the de-recognition of the Net Over-riding Royalty Rights, a definite life intangible asset, and recognition of the transferred assets as oilfield property, plant and equipment as a non-monetary transaction and recorded the transaction at carrying value with no gain or loss recorded on the exchange of assets. As well, with the conversion of the Net Over-riding Royalty Rights to a 50% working interest, the Company’s potential net income from the Rodney South oilfield decreased from 70% to 50%. The Company reviewed the carrying amount of the Transferred Assets and as a result of the review; a detailed impairment calculation was completed and a write-down of its Rodney South oilfield property, plant and equipment in the amount of \$622,835 was recognized. The write-down was determined based on estimated present value of future cash flows calculated using the Greentree Gas & Oil Ltd.’s (“Greentree”) independent reserve report estimates and NYMEX future’s prices per barrel of oil. The calculated amounts that were written-down, and the resulting carrying value, may not be indicative of the actual values.

During the fiscal year On-Energy Corp. (“On-Energy”) acquired Greentree’s 50% interest in oilfield property, plant and equipment and all mineral rights in the Rodney South oilfield. On-Energy will now act as the operator of the lease and will provide field maintenance, support and administrative services. The Company is responsible for its proportionate share of operating costs.

Liabilities

Total liabilities decreased by \$99,893 from the prior year-end to \$1,389,264 to \$1,489,517. Accounts payable and accrued liabilities decreased by \$129,197 to \$1,044,297. Of the current liabilities, \$567,696 relates to trade accounts payable, and \$372,216 relates to accruals related to the design, manufacturing of Powerwave tool inventory, sales and marketing liabilities and other various corporate services.

Liquidity

The following table presents working capital information as at August 31, 2011 and 2010:

	August 31, 2011	August 31, 2010	Change
Current assets	26,071,859	30,491,718	(4,419,859)
Current liabilities	1,044,298	1,173,495	(129,197)
Working capital (note 1)	25,027,561	29,318,223	(4,290,662)

note 1: Working capital is calculated by subtracting current liabilities from current assets, and is further discusses in Definition of Non-GAAP Measure

During the 2011 fiscal year, Wavefront pledged a \$260,000 Guaranteed Investment Certificate as security against a Letter of Credit, issued by TD Canada Trust. The Letter of Credit was issued as security for the Company’s new Edmonton office and warehouse lease. The value of the Letter of Credit declines each year by \$65,000 to year four



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(i.e., 2014) and then is terminated in year five (i.e., 2015). The balance of the Company's capital is not subject to any external restrictions.

Wavefront believes that its working capital position will continue to fluctuate despite having a significant increase in the number of Powerwave contracts in-hand, as Wavefront cannot control or dictate the installation schedules or delivery of equipment. Our Company's cash flow break-even will also be affected by the product mixes between tubing pumps and bailers, Powerwave stimulations and workovers, Powerwave secondary and tertiary oil recovery applications and Primawave applications, which have been changing.

It is believed that, as our clients experience positive Powerwave results, further uptake of the Technology will result in future cash inflows, but the Company will be required to invest in additional Powerwave tool inventories.

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

Financings

During the 2011 fiscal year end, the Company did not undertake any financings. However, in the current fiscal year 29,830 incentive stock options were exercised at a price \$0.59 for gross proceeds of \$17,500 by employees of our Company.

In the prior fiscal year, effective April 26, 2010, Wavefront closed the sale of 10,438,170 units ("Units") of our Company 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. 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, Wavefront 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 Wavefront to the holder of the Warrant. During the 2011 fiscal year, the TSX Venture Exchange approved the extension of the Warrants such that the new expiry, subject to the above noted accelerated expiry, is now April 26, 2012. The recorded value of the Warrants did not change as a result of the Warrant extension.

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

Net proceeds of the Offering were \$20,023,166 and will be used to fabricate inventory of Powerwave and Primawave systems, the financing of an international expansion, and for general corporate purposes and unallocated working capital.

In addition, during the prior fiscal year 2010, 616,766 incentive stock options were exercised by employees and a director of our Company, at prices ranging from \$0.40 to \$0.97, resulting in gross proceeds of \$288,047.



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Capital Resources

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

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

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

As of December 2, 2011, there are no amounts owed in respect of the lines of credit and Wavefront had \$23,288,725 of cash on hand. Of the cash on hand, Wavefront has \$24,460,224 in Term Deposits on deposit with TD Canada Trust, a Canadian chartered bank. The investment in the Term Deposits range from seven days to thirty days, maturing on December 8, December 9, 2011 and December 28, 2011, with guaranteed interest rates of 0.75% and 1.05% respectively. 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 Company has entered into long-term contractual arrangements from time-to-time for facilities, lines of credit, and the provision of goods and services. The following table presents contractual obligations arising from these arrangements currently in force:

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating lease obligations	\$ 2,188,338	\$ 325,128	\$ 495,474	\$ 475,823	\$ 891,913
	\$ 2,188,338	\$ 325,128	\$ 495,474	\$ 475,823	\$ 891,913

During the 2011 fiscal year, the Company entered into a new office and warehouse space for its Edmonton, Alberta facilities. The new facilities are to facilitate greater throughput in the manufacturing, assembly, testing and quality assurance of Powerwave and Primawave systems. The office and warehouse lease had a commencement date of February 1, 2011 and a ten (10) year term expiring on January 31, 2021. The Company has the option for early termination of the office and warehouse lease after year five (5) for a one-time payment of \$100,000. The future commitment in base rental payments is \$1,491,100 over the ten (10) years.

In addition, and during the fiscal year end and audit report date, the Company entered into a new sale’s office lease for Calgary, Alberta. The new facilities are to create a greater presence our Company in Calgary. The office and warehouse lease has a commencement date of June 15, 2011 and a five (5) year term expiring on June 14, 2015. The future commitment in base rental payments is \$219,960 over the five (5) years.



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The Company is of the opinion that its working capital position of \$25,027,561 as at August 31, 2011 is sufficient to cover its current commitments and operations for the forthcoming fiscal year. It is also anticipated that internally generated cash from operations will continue to increase as our Company's core Technologies continue to be commercialized and inducements and incentives decrease. As such Wavefront does not, currently, foresee any need for equity or debt financing, although it may consider future financings based on expected need to finance Powerwave tools, working capital, or acquisitions. As our Company moves forward it will also consider debt financing of its Powerwave tools to better match the assets' life and revenue stream with the financing sources. Any such financing will be dependent on Wavefront's credit rating, quality of licensing contracts, etc.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

- a) During the year ended August 31, 2011, no related party exercised incentive stock options (2010 - 430,000 at prices of \$0.45 and \$0.40 for net proceeds of \$185,250).
- b) During the year ended August 31, 2011, directors were issued 545,000 (2010 - 260,000) incentive stock options at a price \$0.97 and 75,000 incentive stock options at a price of \$0.94. The incentive stock options are subject to the Stock Option Plan, and expire on September 14, 2015 and March 14, 2016, respectively.
- c) Wavefront has entered into a twelve month Powerwave License agreement to provide up to three Powerwave licenses and systems at a rate of \$2,400 per month per Powerwave license, plus any associated installation fees with a company whose executive officer is also a director of the Company. There is a 100% discount to the Powerwave licensing fee for the first four months of the agreement. The monetary transaction is considered to be in the normal course of operations and is measured at the exchange amount. For the year ended August 31, 2011, the Company recorded \$51,605 (2010 - \$nil) in revenue related to Powerwave tool installation and licensing fees, with \$15,120 (2010 - \$nil) included in accounts receivable.
- d) Wavefront has entered into a twelve month Powerwave License agreement to provide up to three Powerwave licenses and systems at a rate of \$3,000 per month, plus any associated installation fees with a company whose executive officer and director is also a director of the Company. There is a 100% discount to the Powerwave licensing fee for the first two months of the agreement. The monetary transaction is considered to be in the normal course of operations and is measured at the exchange amount. For the year ended August 31, 2011, the Company recorded \$4,040 (2010 - \$nil) in revenue related to Powerwave tool installation, with \$nil (2010 - \$nil) included in accounts receivable.

PROPOSED TRANSACTIONS

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

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RISK AND UNCERTAINTIES

No History of Earnings - The Company is an early stage development company and does not yet have a history of earnings, profit or return on investment. There is no assurance that it will earn sufficient revenues to operate profitably or provide a return on investment in the future. The Company has no intention for the foreseeable future to pay dividends.

Need For Additional Financing – The Company may require additional financing in order to make further investments in the technology or to fund unanticipated demand, to take advantage of unanticipated opportunities, to fund the tool research and development, Powerwave or Primawave tool manufacturing, or to fund the Company through a slower than anticipated commercialization to profitability. In addition, the Company may choose, in an attempt to expedite the achievement of market acceptance and/or to increase the yield from the Technology, to become engaged in the upfront financing of certain Powerwave or Primawave jobs in return for a share of the benefits of the process over time. There can be no assurance that additional financing will be available to the Company on acceptable terms or in an acceptable form, or at all. Any financing may be affected by changes in Wavefront's credit rating, general equity market conditions, the volatility of Wavefront's shares, interest rates and valuation of available collateral. Such financing, if available, might have the effect of diluting the holdings of existing shareholders.

Market Acceptance – The Technology acceptance will be dependent on the Company consistently demonstrating the benefits of it in the field and under a variety of conditions. There can be no assurance that commercial acceptance of the Company's products and services will be achieved within a reasonable timeframe and with the financial resources available to the Company now or in the future.

Technology Risks – Although the results of research, development, and field installations have demonstrated the Technology to be viable, there is no guarantee that Wavefront's Powerwave or Primawave will be successful or be applied successfully in all cases. Although the Company believes there will be many applications for its products and services and that the anticipated market will be receptive and expand, these beliefs may prove to be incorrect for a variety of reasons, including competition from other products and the degree of commercial viability of its products. The possibility of a Powerwave or Primawave project not providing the intended benefits (albeit, believed by Management to be manageable and small), due to unforeseeable factors, could also impede the acceptance of the Technology by the market place. Any failure of the Technology process to generate the intended benefits even in isolated circumstances could have an adverse effect on or slow, market acceptance.

Oil Development and Production Risks – Inherent in production of oil reserves are risks, among others, encountering production or drilling difficulties or experiencing high decline rates in producing wells and reservoir performance uncertainties. In addition, a major market risk exposure is in the pricing applicable to oil production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to the Company's oil production. Prices for oil production have been and remain volatile and unpredictable.

The Company uses, if available, independent reserve estimates and commodity oil prices as a basis to determine the future cash flows to perform the ceiling test. If oil prices decline significantly, even for a short period of time, it is possible that a non-cash write-down of oil property and related assets could occur under the full-cost accounting method allowed by the Canadian Institute of Chartered Accountants. Additionally, given the volatility of the commodity markets, the selection of commodity price may not be indicative of the fair values and may affect amounts to be written down and the carrying value.

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Rapid Changes / Competition – Other companies have developed, and may be developing, or may commercialize alternative technologies faster than the Company. Such companies may develop products that are as, or more, effective than those developed by the Company and there can be no assurance that research and development by others will not render the Company's Technology obsolete or non-competitive.

Volatile Commodity Markets - The marketability of the Company's products and services could be affected, directly or indirectly, by significant declines in oil prices. The Company believes that there would have to be a fairly major decline before the incremental cost / benefit of the Technology would be rendered unconvincing.

Government Regulations / Policy – The Company may be subject to, and adversely affected from time to time by changes in regulation and policy in the countries it is, or plans to be, operating in and such factors may create delays in project procurement and implementation that may result in the need for additional funding.

International Business – As the Company undertakes business internationally. Securing of such business introduces currency risks, credit risks, political risks and other risks inherent to conducting business internationally. There can be no assurance that steps taken by management to address these risks will eliminate all adverse affects and, accordingly, the Company may suffer losses.

Management of Growth and Key Personnel – The Company's anticipated growth and expansion into new geographic areas and, ultimately, new applications for the Technologies processes, will require additional management expertise and will place increased demands on the Company's resources and management with respect to recruiting, training, budgeting, scheduling and technical skills. These demands will require the addition of new management and technical personnel and the development of additional expertise by existing personnel. A shortage of, or failure to retain, such personnel or develop or acquire the expertise could adversely affect prospects for the Company's success.

Patents – The Company's success will depend, in part, on its ability to enforce and defend its patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights. Wavefront has received numerous patents, and is actively pursuing applications for broader international patent protection. Furthermore, there can be no assurance that others will not independently develop similar products, which duplicate any of the Company's technology or products or, if patents are issued to Wavefront, design around those patented products developed by the Company. Wavefront will however, vigorously defend its patents and any intellectual property.

Conflicts of Interest - Directors and officers of Wavefront may serve as directors of, or have shareholdings in, other reporting or private entities. To the extent that such other companies or entities may participate in ventures in which the Company may participate, the directors or officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The laws of Canada, applicable to the Company, provide that the directors of Wavefront must act honestly, in good faith and in the best interests of Wavefront in resolving any conflicts that may arise, and all directors of Wavefront are aware of these fiduciary responsibilities. In determining whether or not the Company will participate in a particular venture, the directors will primarily consider the degree of risk to which the Company may be exposed, its financial position at that time and, depending on the magnitude of the venture and the absence of any disinterested directors, whether or not to subject any ventures in question to the shareholders of the Company for their approval.

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Reliance on Third Parties and Future Collaboration – The Company has, and is anticipated to enter into, various arrangements with collaborators, licensors, licensees and others for the research, development, testing, manufacturing and marketing of its products and services. There can be no assurance that the Company will be able to establish such collaborations on favorable terms, if at all, or that its current or future collaborative arrangements will be successful.

Product Liability, Warranties and Uninsured Risks – The sale of products and services may expose the Company to warranty costs or other potential liability resulting from such use. Although product liability insurance is currently maintained, the obligation to pay a claim in excess of insurance could have a material adverse effect on the business, financial condition and future prospects of the Company.

Environmental Matters – Currently the Company supplies and licenses oilfield and environmental remediation products and services therefore, there is the possibility that it will be subject to federal, provincial and local laws and regulations regarding the environment. The Company may be subject to counterparty liability as its Technology is used to inject fluids into the ground which may cause harm or inadvertently displace a contaminant plume from one location to another. Although management believes its safety procedures are appropriate and works under the guidance of third party consultants and contractors, the risk of offence or liability cannot be completely eliminated. Moreover, there can be no assurance that the Company will not be required to incur significant costs to comply with laws and regulations in the future. The ownership of mineral rights however, exposes the Company to the environmental risks and liabilities associated with any other oil producer, plugging and abandonment liabilities associated with any other oil producer.

ENVIRONMENTAL RISK

The Company is engaged in the enhancing oil and gas production and groundwater remediation. The Company is committed to ensuring that all stakeholders are aware of both their responsibility for safety matters and protection of the environment and how integral those matters are to Wavefront's business. These risks are managed by executing policies and standards that are designed to comply with or exceed government regulations and industry best practices. In addition, Wavefront maintains a system, in respect of our operations, that identifies, assesses and controls safety, security and environmental risk and requires regular reporting to Senior Management and the Board of Directors. The Safety, Health and Environmental Affairs Operational Committee of the Company provides recommended environmental policies for approval by our Board and oversees compliance with government laws and regulations. Monitoring and reporting programs for environmental, health and safety performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. Contingency plans are in place for a timely response to an environmental event.

The Company is exposed to physical risk that may arise due to Powerwave's potential damage of a well, regulation risk related to environmental permits and abandonment costs for Rogers County and Rodney South oilfields, environmental permits for Primawave projects, litigations risks related to the use of Powerwave or Primawave to inject fluids into the ground which may cause harm or inadvertently displace a contaminant plume from one location to another. These inherent risks may also create a reputational risk to the Company and its Technologies: Powerwave and Primawave.

There are no known environmental trends, and the exposure to future environmental obligations is currently limited to the asset retirement obligations associated with the Rogers County and Rodney South oilfields as disclosed in note 8 to the audited financial statements.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include estimates that reflect management's estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses for the period reported. Estimates are based upon historical experience and various other assumptions that reflect management's best judgments. These estimates are evaluated periodically and form the basis for making judgments regarding the carrying values of assets and liabilities and the reported amount of revenue and expenses. Actual results could differ from these estimates.

The significant accounting policies that are believed to be the most critical in fully understanding and evaluating the reported financial results are described below. Significant accounting policies are disclosed in Note 2 of the notes to the audited consolidated financial statements.

Revenue recognition and unearned revenue

Revenue is recognized when products or services have been delivered to and accepted by third party customers. Amounts received from customers in advance of products or services being provided are recorded as unearned revenue when received. Specific revenue recognition policies are as follows:

- i) Revenue from oilfield services is recognized when the underlying services are provided. Revenue from the rental of tubing pumps and bailers is recognized when the equipment is delivered and accepted by third party customers.
- ii) Licensing royalties or technology fees are recognized over the term of the underlying contracts. Any project loss is recognized immediately.

Revenue recognition commences upon either delivery or installation of Powerwave systems. Where installation is the triggering point of revenue recognition, installation rates will affect the timing of revenue recognition. The calculation and estimate of future project costs are a source of uncertainty and may affect a project's profitability or when a project loss is recognized.

- iii) Revenue associated with the production and sale of crude oil where Wavefront has a working interest in oilfields is recognized in same period as when the title passes to third parties.
- iv) Interest from cash and cash equivalents is recognized in the period earned when collection can be reasonably assured.

Recoverability of asset carrying values

Wavefront assesses its property plant and equipment, including oilfield property, plant and equipment and its Powerwave and Primawave assets, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. Such indicators include changes in our Company's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future operating expenditures.

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As at August 31, 2011, an impairment test was carried out on the gas fields in accordance with the accounting policy stated in note 2 (g) to the audited financial statements. All calculations require the use of estimates, and the present value of future cash flows was computed on a pre-tax basis by applying forecast prices of oil to estimated future production of proved reserves, less estimated future operating expenditures. The commodity price estimates, production rates, operating expenses, and discount rates are a source of measurement uncertainty in Wavefront's impairment test since there can be no assurance as to actual results. As such any calculated impairment loss, and the resulting carrying values, may not be indicative of the actual values.

If the forecast oil prices applied to the impairment test for oilfield property, plant and equipment were to change by ten (10%) per cent, the change in the recoverable amount would be increase or decrease by approximately \$96,479. The ten (10%) per cent change in oil prices however, would not result in recording any impairment amount.

Wavefront also assesses its goodwill for possible impairment on an annual basis or when an event or circumstance occurs that more likely than not reduces the fair value of a reporting unit below its carrying amount. Circumstances include significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, and a more-likely-than-not expectation that a significant portion or all of a reporting unit will be sold or otherwise disposed of.

Impairment tests as at August 31, 2011, did not indicate that a provision for impairment loss was necessary for goodwill or any other assets of Wavefront. However, during the 2011 fiscal year the Company identified specific Powerwave tools that were determined to be functionally obsolete or where the repair costs of those specific Powerwave tools exceeded their net book value. The specific tool assessment was made in light of our Company enhancing its tool designs, manufacturing and assembly processes.

Asset Retirement Obligations

Under CICA Handbook Section 3110, "Asset Retirement Obligations", Wavefront is required to recognize a liability for the future retirement obligations associated with its property, plant and equipment. An Asset Retirement Obligation liability associated with the retirement of a tangible long-lived asset is recognized to the extent of a legal obligation resulting from an existing or enacted law, statute, ordinance or written or oral contract, or by legal construction of a contract. The Asset Retirement Obligation is based on estimated costs, taking into account the anticipated method and extent of restoration consistent with legal requirements, technological advances and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying Wavefront's total Asset Retirement Obligation amount. These individual assumptions can be subject to change.

The estimated fair values of Asset Retirement Obligation's related to long-term assets are recognized as a liability in the period in which they are incurred. Retirement costs equal to the estimated fair value of the Asset Retirement Obligation are capitalized as part of the cost of associated capital assets and are amortized to expense through depletion over the life of the asset. The fair value of the Asset Retirement Obligation is estimated by discounting the expected future cash flows to settle the Asset Retirement Obligation at Wavefront's average credit-adjusted risk-free interest rate, which is currently 9.49%. In subsequent periods, the Asset Retirement Obligation is adjusted for the passage of time and for any changes in the amount or timing of the underlying future cash flows. The estimates described impact earnings by way of depletion on the retirement cost and accretion on the asset retirement liability. In addition, differences between actual and estimated costs to settle the Asset Retirement Obligation, timing of cash

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flows to settle the obligation and future inflation rates may result in gains or losses on the final settlement of the Asset Retirement Obligation.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies and future accounting changes not yet applied relate to the adoption of International Financial Reporting Standards ("IFRS").

International Financial Reporting Standards

On April 24, 2006, the Accounting Standards Board ("AcSB") of Canada announced its plan to adopt IFRS, replacing Canadian Generally Accepted Accounting Principles ("GAAP"), for fiscal years commencing on or after 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, Wavefront is required to prepare an opening IFRS balance sheet with all cumulative adjustments as at September 1, 2010. The opening IFRS balance sheet will need to be audited since it will be the opening position of our Company when it reports under the converged IFRS standards. Wavefront's first financial reporting in accordance with IFRS will be its 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 does not only impact the presentation and disclosure of items in the financial statements of Wavefront but also the calculation of profits and the measurement of balance sheet items. In addition, there are a number of wider business issues which have been considered including managing shareholders' expectations, employee training, information systems and internal controls.

Wavefront's project consisted of three key phases:

- Scoping and diagnostic phase – this phase involved performing a high level impact analysis to identify areas that may be affected by the transition to IFRS. The results of this analysis were priority ranked according to complexity and the impact of changes in transitioning to IFRS. Given the level of information gathering required as part of the process, our Company worked with Deloitte & Touche LLP to complete the scoping and diagnostic phase.
- Impact analysis and evaluation phase – during this phase, items identified in the diagnostic were addressed according to the priority levels assigned to them. This phase involved analysis of policy choices allowed under IFRS and their impact on the financial statements. Wavefront has obtained its auditors, PwC, and its audit committee and Board of Directors' concurrence with the majority of its IFRS policy exemptions, and accounting policy choices.
- Implementation phase – involves the implementation of all changes approved in the impact analysis phase and will include changes to information systems, business processes, modification of agreements and training of all staff who are impacted by the conversion.

Wavefront has identified the areas noted below, excluding those that relate to oil and gas assets and operation, as those expected to have the most significant impact on our financial statements. These areas do not represent a

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complete list of expected changes. As Wavefront progresses further into the implementation phase, the differences and impacts described below may be subject to change. We will continue to disclose additional impacts on our financial reporting, including expected quantitative impacts, systems and processes and other areas of our business in future management discussion and analysis as they are determined.

First time adoption

Wavefront's adoption of IFRS requires the application of IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively, with specific mandatory exemptions and a limited number of optional exemptions. The following paragraphs outline the significant optional IFRS 1 exemptions our Company expects to apply in its first IFRS financial statements.

- **Business Combinations** – IFRS 1 allows Wavefront to use the IFRS rules for business combinations on a prospective basis rather than re-stating all business combinations prior to September 1, 2010. Wavefront has concluded to not restate past business combinations and apply the optional exemption on transition. Commencing September 1, 2010, Wavefront accounts for all business combinations under CICA 1582 in order to avoid having to restate fiscal 2011 comparative figures on commencement of IFRS reporting in fiscal 2012.
- **Property, Plant and Equipment** – IFRS 1 provides the option to value Wavefront property, plant and equipment at fair value as deemed cost instead of recalculating the carrying value of property, plant and equipment under IAS 16. We have reviewed our current accounting policies and determined that Canadian GAAP net book value assigned to these assets meets IFRS requirements as at the date of transition. No adjustments are expected with respect to this balance on transition to IFRS.
- **Leases** – IFRS 1 allows an optional exemption to permit an entity to elect to not apply, retrospectively. A first-time adopter may determine whether an arrangement existing at the date of transition contains a lease based on the facts and circumstances existing at transition date. Wavefront has concluded to adopt the optional exemption to not apply IFRIC 4 retrospectively to arrangements prior to September 1, 2010.

The transition from Canadian GAAP to IFRS is a significant undertaking that may materially affect our reported financial position and results of operations. The following discussion and estimates that follow should not be regarded as a complete compilation of changes, but rather is intended to highlight the areas that have been identified to date and the management believes may be relevant to the presentation of the Company's transition date balance sheet as at September 1, 2010 and related changes to accounting policies. Any amounts disclosed should be considered preliminary estimates and may differ from the actual numbers reported in the September 1, 2010 transition date balance sheet.

IFRS 1 & IFRS 3- Business Combinations

Under IFRS 1, the Company has elected not to restate business combinations prior to the transition date. Therefore, there is not expected to be any changes to the financial statements.

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IFRS 1 -Deemed Cost

Under IFRS 1, an entity can elect to deem the cost of its property and equipment at its fair value. The Company has concluded it will not utilize this election and will continue to use the current depreciated values of its property and equipment and intangible assets under Canadian GAAP.

IAS 36- Impairment of Assets

IFRS will impact the processes in which assets are tested for impairment, most specifically intangible assets with an indefinite life and goodwill. The Company will now be required to allocate these assets down to cash generating units. Based on initial management's estimates, at this time, the impact of the change to the Company's oil field related assets on the transition date balance sheet is calculated to be between \$28,000 and \$77,000. This will result in reduction of the carrying value of the oil field assets with a corresponding increase in the opening deficit.

IAS 37- Decommissioning Liabilities

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences; however, the Company does not expect this change will have a nominal impact to the carrying value of its assets.

IFRS 2- Share-based Payments

The timing of the recognition of stock-based compensation expense can be different under IFRS 2 versus Canadian GAAP IFRS. However, since the Company expensed stock-based compensation using a graded vesting, this is not expected to result in any changes to the financial statements.

In addition to accounting policy differences, Wavefront's transition to IFRS will impact the internal controls over financial reporting, the disclosure controls and procedures, business activities and IT systems as follows:

- Internal controls over financial reporting ("ICFR") – As the review of Wavefront's accounting policies is fundamentally completed, an assessment will be made to determine changes required for ICFR.
- Disclosure controls and procedures – Throughout the transition process, Wavefront will be assessing stakeholders' information requirements and will ensure that adequate and timely information is provided so that all stakeholders are kept apprised.
- Business activities – Management has been cognizant of the upcoming transition to IFRS and as such has worked with our counterparties to ensure that agreement references to Canadian GAAP statements are modified to allow for IFRS statements. Based on the expected changes to the Company's accounting policies at this time, there are no foreseen issues with the existing agreements as a result of the conversion to IFRS.
- Information technology systems – Wavefront has completed most of the system updates required in order to ready the company for IFRS reporting. The modifications were not significant, however,

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deemed critical in order to allow for reporting IFRS statements. Additional system modifications may be required based on final policy choices.

FINANCIAL AND OTHER INSTRUMENTS

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

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Wavefront's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable and non-participation amounts due. Concentrations of credit risk with respect to accounts receivable are limited as the majority of transactions are with large publicly traded corporations or government organizations dispersed across geographic areas. Credit risk, with respect to accounts receivables in Canada and the United States, is also limited due to Wavefront's credit evaluation and cash management processes.

Foreign currency risk

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

Fair value of financial instruments

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

SUPPLEMENTARY INFORMATION

SELECTED ANNUAL INFORMATION

The following is selected annual consolidated financial information from Wavefront's audited financial statements for each of the three most recently completed years ended August 31. This information should be read in conjunction with the applicable interim unaudited and annual audited financial statements and related notes thereto.



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	2011	2010	2009
Revenues	\$ 4,271,555	\$ 2,517,926	\$ 1,616,601
Net loss	(4,499,938)	(8,638,789)	(7,932,218)
Basic and diluted loss per share	\$ (0.05)	\$ (0.11)	\$ (0.11)
Weighted average number of common shares outstanding	82,837,923	75,770,126	71,513,398
Working capital	\$ 25,027,562	\$ 29,318,223	\$ 15,394,218
Total assets	33,239,032	37,172,482	24,477,600
Total long term financial liabilities	345,327	316,022	187,348
Total liabilities	\$ 1,389,624	\$ 1,489,517	\$ 873,042
Shares outstanding at August 31	82,844,574	82,814,744	71,759,808

(1) This financial data is prepared in accordance with Canadian GAAP

(2) In Canadian dollars, except share data

DESCRIPTION OF SHARE CAPITAL

As at August 31, 2011, Wavefront's share capital consisted of the following:

Common shares	
Authorized:	unlimited
Issued and outstanding:	
Free trading	82,844,574
Convertible into common shares	
Share purchase warrants	5,219,085
Incentive stock options	<u>2,581,500</u>
	<u>7,800,585</u>
Fully diluted share capital:	<u>90,645,159</u>

Market for Securities

The common shares of Wavefront Technology Solutions Inc. are listed on the TSX Venture Exchange under the symbol of WEE.

Subsequent to the reporting period, the Company engaged Casimir Capital L.P. of New York, New York to act as the Corporation's Principal American Liaison, responsible for providing guidance on OTCQX requirements, in connection with the Corporation's planned additional listing on the International OTCQX. The Company's planned application to the International OTCQX is by no means assured, and all required listing requirements must first be met before a listing may be granted. Wavefront's shares will continue to trade and will remain listed on the TSX Venture Exchange in Canada under the symbol WEE.

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Options granted during the period

The Corporation maintains a Stock Option Plan under which it may grant options for up to 10,771,583 shares of the Corporation at an exercise price equal to or greater than the market price of the Corporation's stock at the date of grant. All stock options awarded are exercisable for a period of five years and vest in equal tranches at three (3) month intervals over a period of eighteen (18) months.

Date of Grant	Number of Shares	Optionee	Exercise Price	Expiry Date
September 14, 2010	545,000	Insiders	\$ 0.97	September 14, 2015
October 15, 2010	200,000	Employee	\$ 1.61	October 15, 2015
March 14, 2011	75,000	Insiders	\$ 0.94	March 14, 2016
May 25, 2011	200,000	Employee	\$ 1.13	May 25, 2016
	1,020,000			

Subsequent to the year ended August 31, 2011, the Corporation issued 165,000 incentive stock options to employees of the Corporation with an exercise price of \$0.66. The stock options are subject to the Stock Option Plan, and expire on September 28, 2016.

Options outstanding

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share \$
May 25, 2011	May 25, 2016	200,000	1.13
March 14, 2011	March 14, 2016	75,000	0.94
October 15, 2010	October 15, 2015	200,000	1.61
September 14, 2010	September 14, 2015	545,000	0.97
July 14, 2010	July 14, 2015	155,000	1.45
September 4, 2009	September 4, 2014	245,000	0.72
July 8, 2009	July 14, 2014	46,500	0.59
January 5, 2009	January 5, 2014	550,000	0.54
June 27, 2008	June 27, 2013	100,000	2.90
March 4, 2008	March 4, 2013	200,000	2.05
February 22, 2008	February 22, 2013	185,000	1.65
March 6, 2007	March 6, 2012	80,000	0.97
		2,581,500	

Subsequent to the year ended August 31, 2011, an employee exercised 100,000 incentive stock options exercised were at a price of \$0.54 for gross proceeds of \$54,000.

Share purchase warrants granted during the period

During the 2011 fiscal year end, no share purchase warrants were issued.



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In the prior fiscal year, effective April 26 2010, Wavefront closed the sale of 10,438,170 units ("Units") of our Company 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. 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, Wavefront 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 Wavefront to the holder of the Warrant. During the 2011 fiscal year, the TSX Venture Exchange approved the extension of the Warrants such that the new expiry, subject to the above noted accelerated expiry, is now April 27, 2012. The recorded value of the Warrants did not change as a result of the Warrant extension.

CONTROLS AND PROCEDURES

Under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Company, as a "Venture Issuer" files on an annual basis Form 52-109FV1, the "*Certificate of annual filings – venture issuer basic certificate*" (the "**Annual Form**") which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal controls over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers filing the Annual Form are not making any representations relating to the establishment and maintenance of:

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

However, the Company's management, and its certifying officers on the Annual Form are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in that Annual Form. The Annual Form does contain representations which confirms that management has established processes, which are in place to provide the certifying officers with sufficient knowledge to support their written representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and that (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the audited financial statements.

The Company's certifying officers of the Annual Form are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in that certificate. However, the reader should be aware that inherent limitations on the ability of the certifying officers to design and implement, on a cost effective basis, DC&P and ICFR for the Company as defined in NI 52-109, may result in additional risks

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to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation, including this Management Discussion & Analysis.

FORWARD-LOOKING INFORMATION

Certain statements contained herein regarding Wavefront and its operations constitute "forward-looking statements" within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical 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 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, 2011 incorporated by reference herein. In determining Wavefront's forward-looking statements, Wavefront considers material factors including assumptions and expectations about: the "Technology Adoption" section, customer demand and adoption rates for Wavefront's products; commodity prices and interest and foreign exchange rates; and the availability and cost of inputs, labour and services, patent, technology and competitive risk. 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 December 2, 2011, 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).