

Wavefront Technology Solutions Inc.

Consolidated Financial Statements
August 31, 2011 and 2010

December 7, 2011

Independent Auditor's Report

To the Shareholders of Wavefront Technology Solutions Inc.

We have audited the accompanying consolidated financial statements of Wavefront Technology Solutions Inc. and its subsidiaries, which comprise the consolidated balance sheets as at August 31, 2011 and 2010 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Wavefront Technology Solutions Inc. and its subsidiaries as at August 31, 2011 and 2010 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Wavefront Technology Solutions Inc.

Consolidated Balance Sheets

As at August 31, 2011 and 2010

	2011 \$	2010 \$
Assets		
Current assets		
Cash and cash equivalents	24,510,593	29,442,956
Accounts receivable	1,045,043	865,092
Prepaid expenses	142,298	83,701
Inventory	373,925	99,969
	<hr/> 26,071,859	<hr/> 30,491,718
Deposits	118,880	103,573
Property, plant and equipment (notes 4 and 5)	5,342,302	4,903,660
Intangible assets (note 6)	483,774	451,314
Goodwill (note 7)	1,222,217	1,222,217
	<hr/> 33,239,032	<hr/> 37,172,482
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,044,298	1,173,495
Asset retirement obligation (note 8)	345,326	316,022
	<hr/> 1,389,624	<hr/> 1,489,517
Shareholders' Equity		
Share capital (note 11)	66,320,249	66,288,967
Contributed surplus (note 11)	8,112,618	7,477,519
Deficit	(42,583,459)	(38,083,521)
	<hr/> 31,849,408	<hr/> 35,682,965
	<hr/> 33,239,032	<hr/> 37,172,482

Approved by the Board of Directors

"Jeff Saponja" (signed) Director

"Steve Percy" (signed) Director

Wavefront Technology Solutions Inc.

Consolidated Statements of Loss, Comprehensive Loss and Deficit
For the years ended August 31, 2011 and 2010

	2011 \$	2010 \$
Revenue		
Service revenue and royalties	3,774,267	2,209,421
Production revenue and operator fees, net of taxes and royalties	217,357	188,274
Interest and other	279,930	120,231
	<u>4,271,555</u>	<u>2,517,926</u>
Expenses		
General and administrative expenses	4,478,954	4,459,397
Selling, marketing and travel	1,010,849	1,069,728
Direct costs	1,002,039	1,202,068
Amortization, depreciation, depletion and accretion expenses	973,293	910,415
Stock-based compensation	648,781	405,983
Research and development	214,627	909,800
Write-down of property, plant and equipment (note 4)	191,464	-
Listing and public company fees	155,154	216,190
Foreign exchange loss (gain)	111,377	(2,939)
Interest expense	2,934	2,990
Write-down of oilfield property, plant and equipment, and non-participation amounts (note 5)	-	1,925,937
Loss (gain) on disposal of property, plant and equipment	(17,979)	57,146
	<u>8,771,493</u>	<u>11,156,715</u>
Net loss and comprehensive loss for the year	(4,499,938)	(8,638,789)
Deficit – Beginning of year	<u>(38,083,521)</u>	<u>(29,444,732)</u>
Deficit – End of year	<u>(42,583,459)</u>	<u>(38,083,521)</u>
Loss per common share (note 12)		
Basic and diluted	<u>(0.05)</u>	<u>(0.11)</u>

Wavefront Technology Solutions Inc.

Consolidated Statements of Cash Flows

For the years ended August 31, 2011 and 2010

	2011 \$	2010 \$
Cash provided from (used in)		
Operating activities		
Net loss for the year	(4,499,938)	(8,638,789)
Items not affecting cash		
Amortization, depreciation, depletion and accretion expenses	973,293	910,415
Stock-based compensation (note 11)	648,781	405,983
Write-down property, plant and equipment (note 4)	191,464	-
Write-down of oilfield property, plant and equipment, and non-participation amounts (note 5)	-	1,925,937
Loss (gain) on disposal of property, plant and equipment	(17,979)	57,146
	<u>(2,704,379)</u>	<u>(5,339,308)</u>
Net change in non-cash working capital items (note 13)	<u>(657,008)</u>	<u>220,445</u>
	<u>(3,361,387)</u>	<u>(5,118,863)</u>
Financing activities		
Proceeds from private placement (net of share issuance costs)	-	20,023,166
Proceeds from options exercised	17,600	288,047
Repayment of amounts due to shareholders	-	(75,470)
	<u>17,600</u>	<u>20,235,743</u>
Investing activities		
Purchase of property, plant and equipment	(1,524,262)	(864,510)
Intangible costs	(85,355)	(82,771)
Business acquisition	-	(70,107)
Proceeds on disposal of property, plant and equipment	21,041	7,327
	<u>(1,588,576)</u>	<u>(1,010,061)</u>
Increase (decrease) in cash and cash equivalents	<u>(4,932,363)</u>	<u>14,106,819</u>
Cash and cash equivalents – Beginning of year	<u>29,442,956</u>	<u>15,336,137</u>
Cash and cash equivalents – End of year	<u>24,510,593</u>	<u>29,442,956</u>
Supplementary information		
Interest paid	<u>2,934</u>	<u>3,915</u>

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1 Description of business

Wavefront Technology Solutions Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. The Corporation's principal business activities involve the licensing and utilization of the Corporation's patented process for the enhancement and improvement of oil recovery and oil well stimulation (Powerwave™), and the optimization of groundwater remediation (Primawave™) approaches. In the oil sector the Corporation's strategy is to leverage its intellectual property through licenses of the technology to service providers, and to provide site licenses to oil producers. In the environmental sector the Corporation provides site licenses to those involved in groundwater clean-up.

2 Accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Corporation and its wholly owned subsidiaries and its proportionate share of assets, liabilities, revenues, expenses and cash flows of the mineral property working interests in which it participates (note 5). All inter-company balances and transactions have been eliminated. These consolidated financial statements include the following significant accounting policies:

a) Use of estimates and measurement uncertainty

The preparation of financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates include: valuation and impairment amounts of property, plant and equipment, intangibles and goodwill; the allowance for doubtful accounts; determination of percentage of completion for the purposes of revenue recognition and direct costs, and stock option valuation. Actual results could differ from those estimates.

The amounts recorded for the asset retirement obligations and the amounts used for the impairment of long term assets are based on a number of estimates including, but not limited to abandonment costs, reserves, future commodity prices, royalties, future cash flows, operating costs, and development costs. By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the financial statement for current and future periods could be material.

b) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit, net of cheques issued in excess of cash on deposit; and, balances held in short-term, highly liquid, Guaranteed Investment Certificates and Term Deposits with annualized interest rates of 1.05% and 1.00% respectively. The Corporation maintains revolving operating lines of credit that are included in cash and cash equivalents, as they fluctuate regularly between being overdrawn and positive.

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c) Translation of foreign currencies

Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Foreign operations are considered financially and operationally integrated and are translated into Canadian dollars using the temporal method of translation. Accordingly, monetary assets and liabilities are translated at current rates of exchange. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses denominated in a foreign currency are translated at the monthly average exchange rate (except for amortization which is translated at historical exchange rates). Gains and losses resulting from the translation adjustments are included in income.

d) Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, products or services have been delivered to and accepted by third party customers, the price to the buyer is fixed or determinable and collection is reasonably assured. 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 and technology fees are recognized on a percentage of completion basis as the underlying contracts are for a set time period. Percentage of completion is determined by relating the amount of time a system has been operating to the total contracted amount of time the system will be operating. Any projected loss is recognized immediately.
- iii) Revenue associated with the production and sale of crude oil owned by the Corporation is recognized in the same period as when the title passes to the external party.
- iv) Interest from cash and cash equivalents is recognized in the period earned when collection can be reasonably assured.

e) Warranty expense

There are no written or implied warranties provided for the Corporation's technology, products or services. However, under certain circumstances the Corporation may provide a provision for potential warranty expenses at the time of sales based on prior claims experience.

f) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is provided over the useful life of the asset. Depreciation has been calculated using the following annual rates and methods:

Oilfield property, plant and equipment	Units of production
Leasehold improvements	Straight line over term of lease
Equipment	20% declining balance
Computer equipment	30% declining balance

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Computer software	100% declining balance
Automotive equipment	30% declining balance
Office equipment and fixtures	20% declining balance

The Corporation evaluates the carrying value of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable, and recognizes an impairment charge when it is probable that estimated future non-discounted cash flows of the underlying assets will be less than the carrying value of the assets. Where there is impairment, the Corporation measures the loss as the amount by which the carrying amount exceeds fair value.

g) Oilfield property, plant and equipment

The Corporation follows the full-cost method of accounting for its oil and gas property operations as determined by the Canadian Institute of Chartered Accountants (“CICA”), Accounting Guideline 16. Under this method, all costs associated with the acquisition of, the exploration for and the development of oil and gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, costs of drilling both producing and non-producing wells, production facilities and asset retirement costs. Proceeds from the sale of properties are applied against capitalized costs, without any gain or loss being realized, unless such sale would alter the rate of depletion or depreciation by more than 20%.

Depletion of oil and gas properties, plant and production equipment is provided using the unit-of-production method based upon estimated proved oil and gas reserves as determined by management and independent engineers. The cost of significant undeveloped properties are excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Estimated future costs to be incurred in developing proved reserves are included in costs subject to depletion.

The Corporation’s policy is to apply an impairment test (“ceiling test”) to determine if capitalized costs are not recoverable and are greater than the fair value. Capitalized costs are not recoverable if they exceed estimated undiscounted cash flows from future production of proved reserves. Cash inflows and costs are estimated using reserves data determined by independent engineers. Costs are based on expected future production and other costs and include abandonment and site restoration costs. An impairment loss is measured as the amount by which capitalized costs exceed fair value of proved reserves. Any calculated impairment loss, and the resulting carrying values, may not be indicative of the actual values.

h) Asset retirement obligations

The Corporation recognizes the fair value of estimated asset retirement obligations on the consolidated balance sheet when a reasonable estimate of fair value can be made. Asset retirement obligations include those for which a company faces a legal obligation to retire tangible long-lived assets such as well sites, pipeline and facilities. Increases or decreases in the asset retirement obligations resulting from the passage of time or changes in estimates are recorded as accretion or reduction in the asset retirement obligations with an offsetting entry in the consolidated statement of loss, comprehensive loss and deficit. Actual expenditures incurred are charged against the accumulated obligations.

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The estimated fair value of the retirement obligations is capitalized as part of the cost of the related long-lived assets. Asset retirement obligations are amortized using the same methods as the underlying asset.

i) Goodwill

Goodwill represents the excess of the purchase price of a business acquisition over the estimated fair value of the acquired net assets at the date of acquisition. Goodwill arising from the acquisition is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired. Impairment is tested by comparing the carrying amount of the reporting unit, including goodwill, with its estimated fair value. Estimated fair value is determined using the discounted, estimated future operating cash flows of the reporting unit. When the estimated fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not considered to be impaired. When the carrying value of the reporting unit exceeds its estimated fair value, the implied fair value of the reporting unit's goodwill, determined in the same manner as the value of goodwill is determined in a business acquisition, is compared with its carrying amount to measure the amount of the impairment loss, if any.

j) Intangible assets

Intangible assets acquired individually or as part of a group of other assets are initially recognized at and measured at cost. Amortization is provided over the estimated useful lives of the assets. Amortization has been calculated using the following annual rates and methods:

Fully-paid up license	Straight-line basis over 15 years
Patents	Straight-line basis over 10 years

The Corporation regularly evaluates the net carrying value of finite life intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the carrying value is charged to expense in the year that the impairment has been determined.

k) Inventory

Inventories, which consist primarily of installation components, repair parts and goods held for sale, are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

l) Research and development costs

Research costs are expensed as incurred and significant development costs are capitalized once the Corporation has determined that commercialization criteria concerning the product or process have been met. Amortization of these costs is over their estimated useful lives commencing with the successful commercial production or use of the product or process. On an on-going basis, management reviews the unamortized balance to ensure that the deferred development costs continue to satisfy the criteria for deferral and amortization.

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m) Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values.

Income tax assets are also recognized for the benefits from tax losses and scientific research and experimental development tax credits, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

n) Investment tax credits

Investment tax credits are earned on scientific research and development expenditures. Investment tax credits related to current expenses are included in the determination of net income. Investment tax credits related to the acquisition of assets are deducted from the related assets with any amortization calculated on the net amount. Investment tax credits are accrued when the Corporation has made the qualifying expenditures provided there is reasonable assurance that the credits will be realized.

o) Stock-based compensation plan

The Corporation has a stock-based compensation plan, which is described in Note 11. The fair value of the common share purchase option is calculated at the date of grant and is expensed over the vesting period of those options. The Corporation uses the Black-Sholes model to calculate the fair value of stock options issued, which requires certain assumptions be made at the time the stock options are awarded, including the expected life of the stock option, the expected number of granted options that will vest and the expected future volatility of the stock.

Any consideration paid by stock option or warrant holders for the purchase of stock together with any amount previously recognized in contributed surplus are credited to share capital. If plan entitlements are repurchased from the holder, the consideration paid is charged to the deficit.

p) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated on the basis of the weighted average number of common shares outstanding during the period plus the additional common shares that would have been outstanding if potentially dilutive common shares had been issued using the treasury stock method.

q) Financial instruments

Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics.

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Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. An entity may also designate any financial instrument upon initial recognition as held-for-trading. These instruments are measured at fair value with changes in fair value recognized on the consolidated statements of loss, comprehensive loss and deficit.

Available-for-sale

Financial assets, classified as available-for-sale will be measured at fair value with changes in fair value recorded in other comprehensive income. The fair value of a financial instrument on initial recognition is normally the transaction price. Subsequent to initial recognition, fair values for financial assets are determined by bid prices quoted in active markets. Securities that are classified as available-for-sale and do not have a readily available market value are recorded at cost. Available-for-sale securities are written down to fair value through other comprehensive income whenever it is necessary to reflect other-than-temporary impairment. Gains and losses realized on disposal of available-for-sale securities, which are calculated on an average cost basis, are recognized in other income (expenses).

Held-to-maturity

Securities that have a fixed maturity date, where the Corporation intends and has the ability to hold to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method.

Loans, receivables and other financial liabilities

Loans, receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

The Corporation has made the following classifications:

	Classification	Measurement
<u>Financial assets</u>		
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans, receivables and other financial liabilities	Amortized cost
<u>Financial liabilities</u>		
Accounts payable and accrued liabilities	Loans, receivables and other financial liabilities	Amortized cost

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Notes to Consolidated Financial Statements

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3 Changes in Accounting Policies

Business Combinations

The CICA issued CICA Handbook Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements”, and Section 1602 “Non-Controlling Interests”, which superseded Sections 1581 “Business Combinations”, and Section 1600 “Consolidated Financial Statements”.

Section 1582 establishes standards for the accounting for a business combination. This Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The adoption of the section did not have a material effect on the Corporation’s financial position or results of operations.

Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Both sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The adoption of the section did not have a material effect on the Corporation’s financial position or results of operations.

Comprehensive Revaluation of Assets and Liabilities

The CICA amended Handbook Section 1625 “Comprehensive Revaluation of Assets and Liabilities” as a result of issuing Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements”, and Section 1602 “Non-Controlling Interests” in January 2009. The amendments apply prospectively to comprehensive revaluation of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted provided that section 1582 is also adopted. The adoption of the section did not have a material effect on the Corporation’s financial position or results of operations.

4 Property, plant and equipment

	2011		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Equipment	5,846,400	2,087,538	3,758,862
Oilfield property, plant and equipment (note 5)	1,114,875	304,441	810,434
Leasehold Improvements	562,021	23,315	538,706
Office furniture and fixtures	159,591	41,875	117,716
Automotive equipment	107,090	49,612	57,478
Computer equipment	191,121	134,298	56,823
Computer software	350,330	348,047	2,283
	8,331,428	2,989,126	5,342,302

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	2010		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Equipment	5,343,873	1,497,356	3,846,517
Oilfield property, plant and equipment (note 5)	1,114,874	238,000	876,874
Office furniture and fixtures	108,460	70,221	38,239
Automotive equipment	112,530	37,219	75,311
Computer equipment	240,051	188,919	51,132
Computer software	349,091	333,504	15,587
	<u>7,268,879</u>	<u>2,365,219</u>	<u>4,903,660</u>

Assets under construction totaling \$372,657 (2010 – \$725,426) is included in equipment, and is not being depreciated.

Depreciation expense for the year ended August 31, 2011 was \$891,094 (2010 – \$811,771).

The write-down of property, plant and equipment of \$191,464 involves certain Powerwave tools that were determined to be functionally obsolete or where the repair costs exceeded the net book value of those tools. The write-down of property, plant and equipment is reflected in the equipment and technology reporting segment and the Canadian geographic reporting segment affecting net loss for the year, segment assets and total assets (Note 15) for the year ended August 31, 2011.

5 Oilfield property, plant and equipment

Rogers County

During 2005, the Corporation 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, the Corporation 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 the Corporation 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, the Corporation retained a thirty percent (30%) working interest in the leases. During 2006, the Corporation then acquired the ten percent (10%) working interest in the Rogers County venture from Phoenix in exchange for \$214,352 owed, bringing the Corporations 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.

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Under the Joint Operating Agreement, the Corporation receives all production revenues from the production wells associated with the costs incurred until such time that the Corporation is repaid 200% of the costs incurred, after which, production revenues will revert back to the working interest proportions.

As described in Note 2 (g), the Corporation reviews on an annual basis the carrying amount of its oilfield property, plant and equipment and non-participation amounts related to the Rogers County venture and, whether there were indicators, events or circumstances that may have caused impairment since the most recently completed fiscal year. As a result of the review, for the year ended 2010 a detailed impairment calculation was completed and the Corporation recorded a full impairment of its Rogers County property, plant and equipment and non-participation 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 impairment loss is reflected in the oil and gas properties reporting segment and the US geographic reporting segment affecting net loss for the year, segment assets and total assets (Note 15) for the year ended August 31, 2010. 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.

The Corporation has recognized production revenue of \$74,564 (2010 – \$99,839) related to the Rogers County venture.

Rodney South

On June 1, 2010, but effective April 30, 2010, the Corporation entered into a Quit Claim and Conveyance Agreement, where by the Corporation forgave all amounts owing to the Corporation in respect of the Royalty Interest for the period prior to April 30, 2010. In consideration of the amounts forgiven, the Corporation 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. On-Energy Corp., the mineral rights owner, will act as the Operator of the lease; provide its field maintenance staff, support and administrative staff.

As described in Note 2 (g), the Corporation reviewed the carrying amount of the transferred assets. As a result of the review, for the year ended 2010, the Corporation recorded a write-down of its Rodney South oilfield property, plant and equipment of \$622,835. The write-down was determined based on the estimated present value of future cash flows calculated using Greentree's independent reserve's report estimates and NYMEX future's prices per barrel of oil. The write-down is reflected in the oil and gas properties reporting segment and the Canadian geographic reporting segment affecting net loss for the year, segment assets and total assets (Note 15) for the year ended August 31, 2010. The calculated amounts that were written-down, and the resulting carrying value, may not be indicative of the actual values. The cost centre impairment test completed at the balance sheet date did not indicate the recording of an impairment loss was necessary.

The Corporation has recognized production revenue of \$142,793 (2010 – \$88,435) related to the Rodney South venture.

Young County

During the year ended August 31, 2007, the Corporation acquired one hundred (100%) percent of the working interest in certain mineral leases in Young County, Texas for total consideration of \$175,657. The mineral leases expired during May 2010. As the Corporation did not renegotiate further terms nor enter into any

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subsequent agreement, the full carrying value of \$175,657 was written down during the year ended August 31, 2010. The write-down is reflected in the oil and gas properties reporting segment and the US geographic reporting segment affecting net loss for the year, segment assets and total assets (Note 15) for the year ended August 31, 2010.

Taylor County

During the year ended August 31, 2008, the Corporation acquired fifty (50%) percent working interest in certain mineral leases in Taylor County, Texas for total consideration of \$41,848. The working interest expired during May 2010. As the Corporation did not renegotiate further terms nor enter into any subsequent agreement, the full carrying value of \$41,848 was written down during the year ended August 31, 2010. The write-down is reflected in the oil and gas properties reporting segment and the US geographic reporting segment affecting net loss for the year, segment assets and total assets (Note 15) for the year ended August 31, 2010.

6 Intangible assets

	<u>2011</u>		
	Cost \$	Accumulated amortization \$	Net \$
Fully-paid up license	106,990	32,704	74,286
Patents	605,647	196,159	409,488
	<u>712,637</u>	<u>228,863</u>	<u>483,774</u>
			<u>2010</u>
	Cost \$	Accumulated amortization \$	Net \$
Fully-paid up license	106,990	27,776	79,214
Patents	520,291	148,191	372,100
	<u>627,281</u>	<u>175,967</u>	<u>451,314</u>

Amortization expense for the year ended August 31, 2011 totalled \$52,895 (2010 – \$98,644).

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7 Goodwill

	2011	2010
	\$	\$
Balance, beginning of year	1,222,217	1,152,110
Additions	-	70,107
Impairment charges	-	-
	<hr/>	<hr/>
Balance, end of year	1,222,217	1,222,217

The goodwill impairment test completed as at August 31, 2011 did not indicate that a provision for the recording of an impairment loss was necessary.

8 Asset retirement obligation

The Corporation has asset retirement obligations associated with its oilfield property, plant and equipment (Note 5). These asset retirement obligations primarily relate to the plugging of wells and abandonment costs.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of the Corporation's proportion of oilfield property, plant and equipment assets:

	2011	2010
	\$	\$
Asset retirement obligations – Beginning of year	316,022	187,348
Liabilities incurred	-	9,521
Changes in estimated future cash flow	-	108,080
Accretion expense	29,227	14,364
Foreign currency	77	(3,291)
	<hr/>	<hr/>
Asset retirement obligations – End of year	345,326	316,022

Rogers County

The total undiscounted amount of estimated cash flows required to settle the obligation related to Rogers County is \$306,903 (2010 - \$333,722), which has been discounted using credit-adjusted risk free rate of 9.49%. The majority of these obligations are not expected to be settled over the next year and will be funded from general corporate resources at the time of the retirement and removal.

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Rodney South

The total undiscounted amount of estimated cash flows required to settle the obligation related to Rodney South is \$61,812 (2010 - \$61,812), which has been discounted using credit-adjusted risk free rate of 9.49%. The majority of these obligations are not expected to be settled for one to twenty-nine years in the future and will be funded from general corporate resources at the time of the retirement and removal.

9 Income taxes

Future income taxes reflect the net tax affects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Corporation has recognized a valuation allowance for future tax assets for which it is more likely than not that realization will not occur.

Significant components of the Corporation's future tax assets and liabilities as of August 31, 2011 are as follows:

	2011	2010
	\$	\$
Future income tax assets		
Non-capital losses carried forward	4,317,431	3,863,443
Net operating losses carried forward	2,532,804	2,499,384
Interest expense not tax-deductible until future years	482,082	727,470
Research and development expenditures	613,392	281,432
Property, plant and equipment and intangible assets	809,197	765,672
Financing costs	340,084	488,307
Non deductible liabilities	355,954	223,422
Non-participation amounts	884,536	961,833
Unrealized foreign exchange capital losses	50,663	50,500
	<u>10,386,143</u>	<u>9,861,463</u>
Future income tax liabilities		
Property, plant and equipment and intangible assets	<u>(238,088)</u>	-
	10,148,055	9,861,463
Less: Valuation allowance	<u>(10,148,055)</u>	<u>(9,861,463)</u>
Net future income tax asset	<u>-</u>	<u>-</u>

As at August 31, 2011, the Corporation had scientific research and experimental development expenditures in the amount of \$2,447,096 (2010 – \$1,126,390) available for carry-forward to reduce future taxable income.

The Corporation and its subsidiaries also have, in aggregate, Canadian non-capital losses in the amount of \$17,224,177 and U.S. net operating losses of \$6,471,801 (\$USD) to be carried forward and used to reduce income for tax purposes in future years, subject to confirmation by taxation authorities. The potential income

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tax benefits associated with these losses and expenditures have not been reflected in the consolidated financial statements as they have been fully offset by a valuation allowance. These losses expire as follows:

	U.S. \$	Canadian \$
2014	-	1,823,383
2015	-	1,112,562
2024	631	-
2025	170,167	-
2026	308,787	1,721,014
2027	1,252,883	1,055,478
2028	1,405,291	1,901,084
2029	1,439,261	2,586,521
2030	1,361,878	4,062,139
2031	532,903	2,961,996
	<u>6,471,801</u>	<u>17,224,177</u>

The Corporation's substantially enacted Canadian statutory tax rate is approximately 26.88% (2010 – 28.07%). The difference between the computed expected income tax recovery and the actual income tax recovery are summarized as follows:

	2011 \$	2010 \$
Loss before income tax	<u>(4,499,938)</u>	<u>(8,638,789)</u>
Expected income tax recovery at statutory income tax rate	(1,209,546)	(2,425,172)
Adjusted for the following:		
Difference between U.S. and Canadian tax rates on U.S. losses	(74,389)	(164,469)
Stock-based compensation	174,387	113,972
Substantively enacted rates	(17,963)	(219,291)
Expiry of non-capital losses	268,483	144,686
Financing costs	-	(532,769)
Valuation allowance	286,592	2,812,005
Non-deductible and other items	536,510	271,038
	<u>-</u>	<u>-</u>

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10 Commitments

The Corporation is committed under various operating leases for office and warehouse space, and miscellaneous contractual commitments. The minimum amounts payable over the next ten years are as follows:

Fiscal Year	\$
2012	325,128
2013	249,710
2014	245,763
2015	242,012
2016	233,811
2017	199,233
2018	200,655
2019	202,930
2020	204,067
2021	85,029
	2,188,338

11 Share capital

The Corporation's authorized and issued share capital for the year ended August 31, 2011 and 2010 are as follows:

Authorized

Unlimited common shares without par value

Issued common shares

	2011		2010	
	Number #	Stated capital \$	Number #	Stated capital \$
Balance – Beginning of year	82,814,744	66,288,967	71,759,808	49,721,045
Shares issued in private placement ⁽¹⁾	-	-	10,438,170	16,110,953
Stock options exercised ^{(2) (3)}	29,830	31,282	616,766	456,969
Balance – End of year	82,844,574	66,320,249	82,814,744	66,288,967

(1) Effective April 26, 2010, the Corporation issued 10,438,170 units at a price of \$2.10 per unit for gross proceeds of \$21,920,157. The 10,438,170 units were issued by way of a brokered private placement. Each unit consisted of one common share and ½ of one non-transferable 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. The Corporation valued the Warrants at \$3,912,213 using the Black-Scholes option pricing model. The Corporation also paid filing fees, finders' fees, legal and agent expenses of \$1,896,991, resulting in net cash proceeds of \$20,023,166.

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During the 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.

- (2) The 29,830 incentive stock options exercised during the period ended August 31, 2011, were at a price of \$0.59 for gross proceeds of \$17,600.
- (3) The 616,766 incentive stock options exercised during the year ended August 31, 2010, were at a prices ranging from \$0.40 to \$0.97 for gross proceeds of \$288,047.

Warrants

A summary of the status of the Corporation Share Purchase Warrants as at August 31, 2011 and 2010, and the changes during the years ended on those dates is presented below:

	2011		2010	
	Number	Exercise price	Number	Exercise price
	#	\$	#	\$
Outstanding – Beginning of year	5,219,085	2.75	-	-
Granted ⁽¹⁾	-	-	5,219,085	2.75
Outstanding – End of year	5,219,085	2.75	5,219,085	2.75

- (1) In connection with the brokered private placement that closed on April 26, 2010, noted above, the Corporation issued 5,219,085 non-transferable share purchase warrants. Each whole 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 the Corporation's Shares on the TSX Venture Exchange, or any other stock exchange on which the Shares are then listed, is at a price equal to or greater than \$3.15 for a period of more than 20 consecutive trading days, the Corporation will have the right to accelerate the expiry date of the Warrants by giving written notice to the holders of the Warrants that the Warrants will expire on the date that is not less than 30 days from the date notice is provided by the Corporation to the holder of the Warrant.

During the 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.

Stock-based compensation plan

The Corporation maintains an Employee, Director, Officer and Consultant Stock Option Plan under which the Corporation may grant incentive stock 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 however, 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.

A summary of the status of the Corporation's Stock Option Plan as at August 31, 2011 and 2010, and the changes during the years ended on those dates are presented below:

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Stock options	2011		2010	
	Number #	Weighted average exercise price \$	Number #	Weighted average exercise price \$
Outstanding – Beginning of year	2,845,920	1.74	3,108,970	1.56
Granted	1,020,000	1.12	430,000	1.01
Exercised	(29,830)	0.49	(616,766)	0.47
Cancelled	-	-	(76,284)	0.75
Expired	(1,254,590)	2.49	-	-
Outstanding – End of year	2,581,500	1.15	2,845,920	1.74

Exercise price \$	Options outstanding		Options exercisable	
	Number outstanding #	Weighted average remaining contractual life in years	Number outstanding #	Weighted average remaining contractual life in years
2.90	100,000	1.82	100,000	1.82
2.05	200,000	1.51	200,000	1.51
1.65	185,000	1.48	185,000	1.48
1.61	200,000	4.12	100,000	4.12
1.45	155,000	3.86	103,334	3.86
1.13	200,000	4.73	33,333	4.73
0.97	625,000	3.59	352,500	3.24
0.94	75,000	4.54	12,500	4.54
0.72	245,000	3.01	245,000	3.01
0.59	46,500	2.85	46,500	2.85
0.54	550,000	2.35	550,000	2.35
	2,581,500	3.05	1,928,167	2.64

- a) Effective September 14, 2010, the Corporation issued 545,000 incentive stock options to directors of the Corporation with an exercise price of \$0.97. The stock options are subject to the Stock Option Plan, and expire on September 14, 2015.
- b) Effective October 15, 2010, the Corporation issued 200,000 incentive stock options to an employee of the Corporation with an exercise price of \$1.61. The stock options are subject to the Stock Option Plan, and expire on October 15, 2015.

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- c) Effective March 14, 2011, the Corporation issued 75,000 incentive stock options to a director of the Corporation with an exercise price of \$0.94. The stock options are subject to the Stock Option Plan, and expire on March 14, 2016.
- d) Effective May 25, 2011, the Corporation issued 200,000 incentive stock options to an employee of the Corporation with an exercise price of \$1.13. The stock options are subject to the Stock Option Plan, and expire on May 25, 2016.
- e) 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.

The estimated fair value of the compensation costs of stock options issued in the reporting period was calculated using the Black-Scholes option pricing model on the grant date, and results in a charge to wage and to consultant expense with a corresponding increase in contributed surplus, assuming the following:

	2011	2010
Dividend yield	-	-
Risk-free rate	1.98% to 2.58%	2.54% to 2.61%
Average life	5 years	5 years
Volatility rate	94.38% to 110.05%	112.65% to 122.09%
	\$	\$
Weighted fair value of options granted during the year	0.90	0.83

The expected volatility is based on the historical volatility of the Company's shares over a period commensurate with the expected term of the share option. The risk-free interest rate for the expected life of the options is based on the yield available on government bonds, with the approximate equivalent remaining term at the time of the grant. Historical data and individual stock option agreement terms were used to estimate the expected life of the option.

During the year ended August 31, 2011, the Corporation incurred \$648,781 (2010 – \$405,983) in compensation expense relating to outstanding stock options. The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of the stock options by the holders.

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Contributed surplus

	2011 \$	2010 \$
Balance – Beginning of year	7,477,519	3,328,245
Stock based compensation	648,781	405,983
Warrant issuance	-	3,912,213
Stock options exercised	(13,682)	(168,922)
Warrants exercised	-	-
	<hr/>	<hr/>
Balance – End of year	8,112,618	7,477,519

12 Loss per share

The Corporation uses the treasury stock method to calculate diluted earnings per share. Under the treasury stock method, the numerator remains unchanged from the basic earnings per share calculation, as the assumed exercise of the Corporation's share purchase warrants and stock options do not result in an adjustment to income. The weighted average number of common shares outstanding is 82,837,923 (2010 – 75,770,126).

Diluted loss per share is computed by giving effect to the potential dilution that would occur if the Corporation's share purchase warrants or stock options were exercised. The treasury stock method assumes that the proceeds received from the exercise of the "in-the-money" share purchase warrants or stock options are used to repurchase common shares at the average market price for the year ended August 31, 2011.

In determining diluted loss per share, the weighted average number of shares outstanding was increased by 1,297,349 (2010 – 363,441) for stock options eligible for exercise where the average market price of the common shares for the year exceeds the exercise price. The diluted weighted average number of shares outstanding was 84,135,272 (2010 – 76,133,567). As the result was anti-dilutive in both fiscal 2011 and 2010, no adjustments were made to net loss to calculated diluted loss per share.

13 Net change in non-cash working capital items

	2011 \$	2010 \$
Accounts receivable	(179,951)	(329,223)
Prepaid expenses	(58,597)	24,028
Inventory	(273,956)	(37,630)
Deposits	(15,307)	-
Accounts payable and accrued liabilities	(129,197)	563,270
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	(657,008)	220,445

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14 Management of capital

As at August 31, 2011, the Corporation's capital is composed of share capital of \$66,320,249, cash and cash equivalents of \$24,510,593 and an available revolving line of credit of \$100,000 that had an outstanding balance of \$nil.

The Corporation's primary objectives when managing capital are as follows:

- a) To safeguard the entity's ability to continue as a going concern, so that it can provide returns to shareholders and benefits for other stakeholders; and
- b) To maintain sufficient cash and cash equivalents and short-term investments to fund its business plan.

The Corporation's primary uses of capital are to finance commercialization of its Powerwave and Primawave technologies, tool research, development and manufacturing, market development, working capital, capital expenditures, and operating losses.

The Corporation has pledged \$260,000 in a closed, 30 day, guaranteed investment certificate as security against a letter of credit. Otherwise the Corporation is not subject to any externally imposed capital requirements. The Corporation's strategy remains unchanged from prior periods.

15 Segmented information

The Corporation determines its reportable segments based on the structure of its operations, which are focused in two principal business segments – the deployment of technology and equipment to third parties in return for rental and royalty income and, the development of oil and gas properties utilizing the Corporation's Powerwave technology and equipment. The accounting policies of these segments are the same as those described in Note 2.

Year ended August 31, 2011	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Year ended August 31 2011 \$
Revenue	3,810,315	217,450	243,790	4,271,555
Net loss for the year	(2,843,545)	(132,648)	(1,523,745)	(4,499,938)
Changes in goodwill	-	-	-	-
Segment assets	8,836,374	869,417	23,533,241	33,239,032
Capital expenditures	1,504,512	-	105,104	1,609,616

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Year ended August 31, 2010	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Year ended August 31 2010 \$
Revenue	2,204,101	190,507	123,318	2,517,926
Net loss for the year	(5,076,311)	(2,284,069)	(1,278,409)	(8,638,789)
Changes in goodwill	70,107	-	-	70,107
Segment assets	7,165,797	937,484	29,069,201	37,172,482
Capital expenditures	967,926	-	49,462	1,017,388

Geographic Information	2011		2010	
	Revenue \$	Total assets \$	Revenue \$	Total assets \$
Canada	3,530,807	32,672,949	1,973,031	36,678,908
United States	740,748	566,083	544,895	493,574
	4,271,555	33,239,092	2,517,926	37,172,482

During the year ended August 31, 2011, the Corporation recorded revenue from 63 customers (2010 – 78 customers). Sales in 2011 from the top three customers amounted to \$1,268,856, \$902,943 and \$397,419, which represented 29.7%, 21.1% and 9.3%, respectively of total revenue. Sales in 2010 from the top three customers amounted to \$714,530, \$453,025 and \$257,268, which represented 28.4%, 18.0% and 10.2 %, respectively of total revenue.

16 Seasonality of operations

Certain oilfield services offered by the Corporation are seasonable and related to the product offering and geographical extent to which products were offered for sale. The Corporation's pump and bailer product offering, in relation to oilfield services, is the rental and sale of downhole equipment. At present, the target geographical area of the product offering is Alberta and Saskatchewan. Due to temperature influences on ground conditions, the months of December, March and April may have lower activities.

The Corporation however, focuses the majority of its resources on Powerwave and Primawave technologies. As the markets are diverse for Powerwave and Primawave, seasonal fluctuations are limited to geographic areas being served. As such management believes that seasonality will have minimal affects moving forward.

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17 Financial instruments

Financial instruments consist of the Corporation's cash, guaranteed investment certificates, accounts receivable, accounts payable and accrued liabilities. The Corporation is not subject to any covenants or restrictions to any indebtedness.

Fair Value

Fair value is subjective in nature, requiring valuation techniques and assumptions. Fair value amounts disclosed in these consolidated financial statements represent the Corporation's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

The carrying amounts in the balance sheet for cash and cash equivalents approximate their fair values due to the short terms to maturity of these instruments.

The carrying amounts in the balance sheet for accounts receivable, accounts payable and accrued liabilities, and amounts due to shareholders are recorded at amortized cost and approximate their fair values due to the short terms to maturity of these instruments.

The Corporation is exposed to the following risks in respect of certain financial instruments held:

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation has sustained substantial losses and negative cash flows. As at August 31, 2011, the Corporation had \$24,510,593 of cash and cash equivalents.

Cash includes \$4,800,000 held in an open term deposit bearing interest at 1.0%, maturing September 7, 2011, and \$18,427,787 held in a guaranteed investment certificate bearing interest at 1.05%, maturing September 26, 2011.

The following are the contractual undiscounted financial liabilities as at August 31, 2011:

	Total	less than 1 year	2 -3 years	4 -5 years	greater than 5 years
Accounts payable and accrued liabilities	1,044,298	1,044,298	-	-	-

In addition, the Corporation has an authorized revolving line of credit available of \$100,000, with \$nil amounts outstanding as at August 31, 2011. The revolving line of credit bears an interest rate of prime plus 0.25% and is repayable on demand and secured by a limited personal guarantee and a guaranteed investment certificate of a shareholder.

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Credit Risk

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation manages credit risk associated with the cash and cash equivalents and short-term investments by investing primarily in short-term investments issued by Schedule 1 Canadian banks and government investment instruments. While the Corporation does not hold asset-backed securities directly, these parties may be exposed in varying degrees to asset-backed securities and U.S. sub-prime mortgages. The Corporation regularly monitors its investments to manage this potential risk.

The risk may also affect accounts receivable. In normal course of business, the Corporation reviews new customer credit history and conducts review of existing counterparty financial positions. Provisions are established and maintained with regards to potential losses. The analysis of aged trade receivables that are past due but not impaired as at August 31, 2011 is as follows:

	Total	31 – 90 Days	91 – 120 days	121 +days
Accounts receivable	625,448	435,848	134,749	54,851

The Corporation maintains an Export Development Canada insurance policy on all approved, foreign receivables outside of the United States. Over the past years, the Corporation has not suffered any material losses related to credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. The Corporation conducts a significant portion of its business activities in the United States, in US dollars. Cash and cash equivalents, accounts receivables, accounts payables and accrued liabilities that are denominated in foreign currencies will be affected by the changes in the exchange rates between the Canadian dollar and US dollar.

The US dollar carrying amounts subject to exposure to foreign currency risk as at August 31, 2011 are as follows:

	US Dollars
Cash and cash equivalents	198,456
Accounts receivable	330,694
Accounts payable and accrued liabilities	(142,258)

Based on the above exposures as at August 31, 2011, and assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollar against the US dollar would result in a decrease or increase in the Corporation's net loss and comprehensive loss of approximately \$18,928 applicable to the US dollar exposure.

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The Corporation currently does not enter into any derivative financial instruments to reduce its exposure to foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in commodity oil and gas prices. Production revenues, production over-riding royalties and Powerwave license fees based on producer production revenues will be affected by the changes in the oil and gas prices.

Based on the above exposure as at August 31, 2011, and assuming that all other variables remain constant, a 10% decrease or increase in commodity prices would result in a decrease or increase in the Corporation's net loss and comprehensive loss of approximately \$28,169 applicable to the commodity price fluctuation.

The Corporation does not use any derivative financial instruments to reduce its exposure to commodity price risk.

18 Contingencies

In the normal course of operations, the Corporation may provide indemnification to counterparties that would require the Corporation to compensate them for costs incurred as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract. Management does not expect the potential amount of these counterparty payments to have a material effect on the Corporation's financial position or operating results.

19 Related party transactions

The Corporation had the following related party transactions:

- a) The Corporation 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 Corporation. 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 Corporation recorded \$51,605 (2010 - \$nil) in revenue related to Powerwave tool installation and licensing fees, with \$15,120 (2010 - \$nil) included in accounts receivable.
- b) The Corporation has entered into a twelve month Powerwave License agreement to provide up to four Powerwave licenses and systems at a rate of \$3,000, plus any associated installation fees with a company whose executive officer and director is also a director of the Corporation. 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 Corporation recorded \$4,040 (2010 - \$nil) in revenue related to Powerwave tool installation, with \$nil (2010 - \$nil) included in accounts receivable.

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20 Subsequent events

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.

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.