

Unaudited Consolidated Financial Statements of

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

For the First Quarter ended November 30, 2010

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Consolidated Balance Sheets

	As at November 30, 2010 \$ (Unaudited)	As at August 31, 2010 \$ (Audited – note 2)
Assets		
Current assets		
Cash and cash equivalents	28,003,989	29,442,956
Accounts receivable	850,242	865,092
Prepaid expenses	173,566	83,701
Inventory	184,363	99,969
	<u>29,212,160</u>	<u>30,491,718</u>
Deposits	106,580	103,573
Property, plant and equipment (note 4)	4,722,335	4,903,660
Intangible assets (note 5)	466,453	451,314
Goodwill	1,222,217	1,222,217
	<u>35,729,745</u>	<u>37,172,482</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,040,467	1,173,495
Asset retirement obligations (note 6)	323,350	316,022
	<u>1,363,817</u>	<u>1,489,517</u>
Shareholders' Equity		
Share capital (note 8)	66,315,006	66,288,967
Contributed surplus (note 8)	7,611,295	7,477,519
Deficit	(39,560,373)	(38,083,521)
	<u>34,365,928</u>	<u>35,682,965</u>
	<u>35,729,745</u>	<u>37,172,482</u>

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Consolidated Statements of Loss, Comprehensive Loss and Deficit (Unaudited)

	Three Month Period Ended November 30,	
	2010	2009
	\$	\$
Revenue		
Service revenue and royalties	801,840	501,684
Production revenue and operator fees, net of taxes and royalties	62,072	50,136
Interest and other	61,263	24,507
	<hr/> 925,175	<hr/> 576,327
Expenses		
Direct costs	322,698	242,705
General and administrative expenses	1,143,357	1,050,418
Selling, marketing and travel	314,970	171,136
Amortization, depreciation, depletion and accretion expenses	233,159	214,059
Research and development	195,662	27,238
Stock-based compensation (note 8)	145,164	145,810
Listing and public company fees	42,402	37,511
Foreign exchange loss	9,367	4,920
Interest expense	2,775	1,953
Gain on disposal of property, plant and equipment	(7,527)	(936)
	<hr/> 2,402,027	<hr/> 1,894,814
Net loss and comprehensive loss for the period	(1,476,852)	(1,318,487)
Deficit – Beginning of period	(38,083,521)	(29,444,732)
Deficit – End of period	(39,560,373)	(30,763,219)
Loss per common share (note 11)		
Basic and diluted	(0.02)	(0.02)

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Consolidated Statements of Cash Flows (Unaudited)

	Three Month Period Ended November 30,	
	2010	2009
	\$	\$
Cash provided from (used in)		
Operating activities		
Net loss for the period	(1,476,852)	(1,318,487)
Items not affecting cash		
Amortization, depreciation, depletion and accretion expenses	233,159	214,059
Stock-based compensation (note 8)	145,164	145,810
Gain on disposal of property, plant and equipment	(7,527)	(936)
	(1,106,056)	(959,554)
Net change in non-cash working capital items	(295,443)	(142,413)
	(1,401,499)	(1,101,967)
Financing activities		
Proceeds from option exercises	14,650	170,969
Repayment of amounts due to shareholder	-	(36,348)
	14,650	134,621
Investing activities		
Purchase of property, plant and equipment	(32,932)	(361,468)
Intangible costs	(27,986)	(28,529)
Proceeds on disposal of property, plant and equipment	8,800	1,100
	(52,118)	(388,897)
Decrease in cash and cash equivalents	(1,438,967)	(1,356,243)
Cash and cash equivalents – Beginning of period	29,442,956	15,336,137
Cash and cash equivalents – End of period	28,003,989	13,979,894
Supplementary information		
Interest paid	2,775	3,291

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to the Consolidated Financial Statements (Unaudited)

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’s strategy is to provide site licenses to service providers, consultants, and stakeholders involved in site specific groundwater clean-up.

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) for interim financial statements using the same accounting policies as set out in the financial statements of the Corporation for the year ended August 31, 2010. Omitted from these statements are certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with Canadian GAAP. These interim consolidated financial statements should be read in conjunction with the financial statements of the Corporation for the year ended August 31, 2010.

3. FUTURE ACCOUNTING CHANGES

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.

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.

Earlier adoption is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to the Consolidated Financial Statements (Unaudited)

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 Corporation is currently evaluating the impact of the amendments to the standard in conjunction with our evaluations of the changes in Business Combinations.

4. PROPERTY, PLANT and EQUIPMENT

	Three Months Ended November 30, 2010			Year Ended August 31, 2010
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Equipment	\$ 5,368,310	\$ (1,662,081)	\$ 3,706,229	\$ 3,846,517
Oilfield property, plant and equipment	1,114,874	(271,379)	843,495	876,874
Computer equipment	246,747	(192,772)	53,975	51,132
Computer software	349,091	(338,253)	10,838	15,587
Automotive equipment	112,530	(41,131)	71,399	75,311
Office furniture	108,460	(72,061)	36,399	38,239
	\$ 7,300,012	\$ (2,577,677)	\$ 4,722,335	\$ 4,903,660

Property, plant and equipment includes equipment under construction of \$557,185 (August 31, 2010 - \$725,426), which is not being depreciated.

Depreciation expense for the three month period ended November 30, 2010 was \$212,420 (November 30, 2009 - \$177,520).

Oilfield property, plant, and equipment - Rodney South

The Corporation has a 50% interest in the legal and beneficial rights and title in specific oil and injection wells in Rodney South, Ontario. Greentree Gas & Oil Ltd. (“Greentree”) owns all mineral rights, will act as the operator of the lease, provide field maintenance, support and administration. The Corporation has responsibility for its proportionate share of operating costs.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to the Consolidated Financial Statements (Unaudited)

5. INTANGIBLE ASSETS

	Three Months Ended November 30, 2010			Year Ended August 31, 2010
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Fully-paid up license	\$ 106,990	\$ (29,055)	\$ 77,935	\$ 79,214
Patents	548,277	(159,759)	388,518	372,100
	<u>\$ 655,267</u>	<u>\$ (188,814)</u>	<u>\$ 466,453</u>	<u>\$ 451,314</u>

Amortization expense for the three month period ended November 30, 2010 totaled \$12,847 (November 30, 2009 - \$32,386).

6. ASSET RETIREMENT OBLIGATIONS

The Corporation has asset retirement obligations associated with its oilfield property, plant and equipment. These asset retirement obligations primarily relate to the plugging of wells and abandonment costs related to the Rogers County and Rodney South oilfields.

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 portion of oilfield property, plant and equipment assets:

	Three Months Ended November 30, 2010	Year Ended August 31, 2010
	\$	\$
Asset retirement obligations – Beginning of period	316,022	187,348
Liabilities incurred	-	9,521
Changes in estimated future cash flow	-	108,080
Accretion expense	7,294	14,364
Foreign currency	34	(3,291)
	<u>323,350</u>	<u>316,022</u>
Asset retirement obligations – End of period	323,350	316,022

The total undiscounted amount of estimated cash flows required to settle the obligation is \$395,534 (August 31, 2010 – \$395,534), 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-one years in the future and will be funded from general corporate resources at the time of the retirement and removal.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to the Consolidated Financial Statements (Unaudited)

7. COMMITMENTS

a) Operating leases

The Corporation is committed under various operating leases for premises. The minimum amounts payable over the next ten years are as follows:

Fiscal Year	\$
2011	223,605
2012	209,775
2013	195,280
2014	197,555
2015	199,545
2016	191,802
2017	158,966
2018	160,388
2019	162,663
2020	163,800
2021	68,250
	<u>1,931,629</u>

8. SHARE CAPITAL

The Corporation's authorized and issued share capital as at November 30, 2010 and August 31, 2010 are as follows:

Authorized

Unlimited common shares without par value

Issued common shares

	Three Months Ended November 30, 2010		Year Ended August 31, 2010	
	Number #	Stated capital \$	Number #	Stated capital \$
Balance – Beginning of period	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⁾	24,830	26,039	616,766	456,969
Balance – End of period	<u>82,839,574</u>	<u>66,315,006</u>	<u>82,814,744</u>	<u>66,288,967</u>

- (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;

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commencing on August 27, 2010, if the volume weighted average trading price of the Corporation's shares ("Share") on the TSX Venture Exchange, or any other stock exchange on which the Shares are then listed, is at a price equal to or greater than \$3.15 for a period of more than 20 consecutive trading days, the Corporation will have the right to accelerate the expiry date of the Warrants by giving written notice to the holders of the Warrants that the Warrants will expire on the date that is not less than 30 days from the date notice is provided by the Corporation to the holder of the Warrant. The 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 \$1,897,795, resulting in net cash proceeds of \$20,022,362.

- (2) The 24,830 incentive stock options exercised during the period ended November 30, 2010, were at a price of \$0.59 for gross proceeds of \$14,650.
- (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 November 30, 2010 and August 31, 2010, and the changes during the periods ended on those dates is presented below:

	Three Months Ended November 30, 2010		Year Ended August 31, 2010	
	Number #	Exercise price \$	Number #	Exercise price \$
Outstanding – Beginning of period	5,219,085	2.75	-	-
Granted ⁽¹⁾	-	-	5,219,085	2.75
Outstanding – End of period	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.

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 are exercisable for a maximum 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 November 30, 2010 and August 31, 2010, and the changes during the periods ended on those dates is presented below:

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Notes to the Consolidated Financial Statements (Unaudited)

	Three Months Ended November 30, 2010		Year Ended August 31, 2010	
	Number #	Weighted average exercise price \$	Number #	Weighted average exercise price \$
Stock options				
Outstanding – Beginning of period	2,845,920	1.74	3,108,970	1.56
Granted	745,000	1.14	430,000	1.14
Exercised	(24,830)	0.59	(616,766)	0.59
Cancelled	(224,170)	2.56	(76,284)	2.56
Outstanding – End of period	<u>3,341,920</u>	<u>1.41</u>	<u>2,845,920</u>	<u>1.74</u>
	Options outstanding		Options exercisable	
Exercise price \$	Number outstanding #	Weighted average remaining contractual life in years	Number outstanding #	Weighted average remaining contractual life in years
2.95	725,000	3.10	725,000	3.10
2.90	115,000	3.60	115,000	3.60
2.05	200,000	3.17	200,000	3.17
1.76	100,000	3.76	100,000	3.76
1.65	210,000	4.31	210,000	4.31
1.61	200,000	2.21	-	-
1.45	170,000	4.61	28,334	4.61
1.40	50,000	4.87	50,000	4.87
0.97	631,670	2.23	86,670	1.26
0.72	252,500	0.67	165,832	0.67
0.60	26,250	2.26	26,250	2.26
0.59	61,500	2.57	49,815	2.57
0.54	600,000	0.11	600,000	0.11
	<u>3,341,920</u>	<u>2.71</u>	<u>2,356,901</u>	<u>1.89</u>

- 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.

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- 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.

The fair value of the compensation costs of stock options issued in the reporting period to both employees and non-employees was calculated using the Black-Scholes option pricing model resulting in a charge to wages and to consultant expense with a corresponding increase in contributed surplus, assuming the following:

	November 30, 2010	August 31, 2010
Dividend yield	-	-
Risk-free rate	1.98% to 2.22%	2.54% to 2.61%
Average life	5 years	5 years
Volatility rate	102.9% to 110.0%	112.7% to 122.1%
Weighted fair value of options granted during the period	\$0.77 & \$1.23	\$0.60 to \$1.17

During the three month period ended November 30, 2010, the Corporation incurred \$145,164 (2009 – \$145,810) 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.

Contributed surplus

	Three Months Ended November 30, 2010	Year Ended August 31, 2010
	\$	\$
Balance – Beginning of period	7,477,519	3,328,245
Stock based compensation	145,164	405,983
Stock options exercised	(11,388)	(168,922)
Warrant issuance	-	3,912,213
Balance – End of period	<u>7,611,295</u>	<u>7,477,519</u>

Escrow shares

The balance of all common shares held in escrow as at November 30, 2010, was 90,000 (August 31, 2010 – 180,000).

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Notes to the Consolidated Financial Statements (Unaudited)

9. MANAGEMENT OF CAPITAL

As at November 30, 2010, the Corporation's capital is composed of share capital of \$66,315,006, cash and cash equivalents of \$28,003,989, 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 \$325,000 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.

10. FINANCIAL INSTRUMENTS

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

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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 November 30, 2010, the Corporation had \$28,003,989 of cash and cash equivalents.

Cash includes \$18,998,851 held in guaranteed investment certificates bearing interest at 0.90%, maturing December 24, 2010, and \$7,850,000 held in an open term deposit bearing interest at 0.85%, maturing December 3, 2010.

The following are the contractual undiscounted financial liabilities as at November 30, 2010:

	Total	less than 1 year	2-3 years	4-5 years	greater than 5 years
Accounts payable and accrued liabilities	1,040,467	1,040,467	-	-	-

In addition, the Corporation has an authorized revolving line of credit available of \$100,000, with \$nil amounts outstanding as at November 30, 2010. 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.

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 November 30, 2010 is as follows:

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	Total	31 – 90 Days	91 – 120 days	121 +days
Accounts receivable	299,443	193,440	47,210	58,793

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 receivable, accounts payable 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 November 30, 2010 is as follows:

	US Dollars
Cash and cash equivalents	259,471
Accounts receivable	150,994
Accounts payable and accrued liabilities	115,840

Based on the above exposures as at November 30, 2010, 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 \$27,010 applicable to the US dollar exposure.

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 November 30, 2010, 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 \$12,223 applicable to the commodity price fluctuation.

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

11. LOSS PER SHARE

The Corporation uses the treasury stock method to calculate diluted loss per share. Under the treasury stock method, the numerator remains unchanged from the basic loss 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 was 82,827,568 (November 30, 2009 – 71,946,949).

Diluted loss per share is computed by giving effect to the potential dilution that would occur if stock options and common share purchase warrants were exercised. The treasury stock method assumes that the proceeds received from the exercise of the "in-the-money" stock options and common share purchase warrants are used to repurchase common shares at the average market price for the period ended November 30, 2010.

In determining diluted loss per share, the weighted average number of shares outstanding was increased by 1,247,576 (November 30, 2009 – 553,103) 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 84,075,144 (November 30, 2009 – 72,500,051). As the result was anti-dilutive in both periods ending November 30, 2010 and 2009, no adjustments were made to net loss to calculate diluted loss per share.

12. 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 operation of oil and gas properties to showcase the Corporation's Powerwave technology and equipment. The accounting policies of these segments are the same as those described in note 2.

Three Months Ended November 30, 2010	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Total \$
Revenue	808,088	62,072	55,015	925,175
Net loss for the period	(1,115,739)	(31,628)	(329,485)	(1,476,852)
Segment assets	7,773,878	898,022	27,057,845	35,729,745
Capital expenditures	39,923	-	20,995	52,118

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Three Months Ended November 30, 2009	Equipment and technology \$	Oil and gas properties \$	Corporate and other \$	Total 2009 \$
Revenue	495,531	50,136	30,660	576,327
Net loss for the period	(877,977)	(134,935)	(305,575)	(1,318,487)
Segment assets	6,516,479	2,902,171	14,141,959	23,560,609
Capital expenditures	387,265	-	2,732	389,997

Geographic Information	Three Months Ended November 30, 2010		Three Months Ended November 30, 2009	
	Revenue \$	Total assets \$	Revenue \$	Total assets \$
Canada	731,297	35,157,369	435,035	21,881,022
United States	193,878	572,376	141,292	1,679,587
	925,175	35,729,745	576,327	23,560,609

During the three month period ended November 30, 2010, the Corporation recorded revenue from 43 customers (2009 – 46 customers). Sales in the three months ended November 30, 2010 from the top three customers amounted to \$302,163, \$204,777 and \$78,168 which represented 35%, 24% and 9% respectively of total revenues. Sales in the three months ended November 30, 2009 from the top three customers amounted to \$274,651, \$60,370, and \$27,000, which represented 48%, 10% and 5%, respectively of total revenues.

13. RELATED PARTY TRANSACTIONS

During the three month period ended November 30, 2010, the Corporation had the following related party transactions:

- a) Directors were issued 545,000 incentive stock options with an exercise price of \$0.97. The stock options are subject to the Stock Option Plan, and expire on September 14, 2015.
- b) 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

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transaction is considered to be in the normal course of operations and is measured at the exchange amount. For the three months ended November 30, 2010, the Corporation recorded \$15,605 in revenue related to Powerwave tool installation, with \$5,253 included in accounts receivable.

14. SEASONALITY OF OPERATIONS

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, are 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 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 the geography being served. In addition there are no known seasonal fluctuations in regards to oil production. As such management believes that this seasonality of operations will have minimal affects moving forward.

Powerwave and Primawave are registered trademarks of Wavefront Technology Solutions Inc.