

WAVEFRONT

Wavefront Technology Solutions Inc.

Quarterly Report

for the

Period ended

November 30, 2010



The following discussion and analysis of financial results should be read in conjunction with the interim financial statements and the accompanying notes for the period ended November 30, 2010 and is based on information available to January 25, 2011. Additional information on Wavefront Technology Solutions Inc.'s (the "Corporation" or "Wavefront") is available on SEDAR at www.sedar.com.



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

MANAGEMENT'S RESPONSIBILITY

The Management of Wavefront Technology Solutions Inc. ("Wavefront" or "the Corporation") is responsible for the accuracy of the information disclosed in the Management Discussion and Analysis. The interim and annual Management Discussion and Analysis of Financial Conditions and Results from Operations are also reviewed and approved by the Audit Committee of the Corporation's Board of Directors. This Management Discussion and Analysis of Financial Condition and Results from Operations contains information available to January 25, 2011.

NON-GAAP MEASURES

Included in the management discussion and analysis are terms, such as, "gross margins" and "core revenues" that are not defined by Generally Accepted Accounting Principles ("GAAP") in Canada and consequently are referred to as non-GAAP measures. Reported amounts may not be comparable to similarly titled measures reported by other companies.

OVERVIEW OF BUSINESS

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

The Corporation pioneered the development of a unique technology that generates powerful fluid pulses to momentarily expand the pore structure of rock and soil, which dramatically improves fluid flow in the ground. This pressure-pulse technology creates highly uniform waves of fluid to "push" oil to extraction wells or distribute treatment chemicals to be in better contact with contaminants. The patented fluid flow process is applicable to all fluid injection and is marketed in the energy sector as Powerwave™ and in the environmental sector as Primawave™ (collectively known as the "Technology"). Powerwave and Primawave are practiced using a plurality of tools, which are ancillary to the process. The characteristics of the reservoir or aquifer, well completions design, or client considerations determine the type or model of Powerwave tool selection.

Powerwave

Powerwave is a cost-effective, economically beneficial optimization technique for existing oil recovery and oil well stimulation strategies that employ injection. The economics of installing Powerwave are very attractive because of rapid pay-back of client costs and the possibility of adding additional reserves to the client's oilfield. Based on field results it is estimated that the client will see a production response starting within six to twelve months and fully developing between eight and eighteen months after Powerwave system installation. The Corporation estimates that Powerwave will increase oil production between twenty five to one hundred percent above pre-Powerwave production trends as well as increase ultimate oil recovery in a waterflood project between two to fifteen percent of original oil in place.

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

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

Primawave

For environmental applications, Primawave is a highly effective method for introducing treatment remedies into contaminated underground sites, including locations that are difficult to access.

There are currently two basic approaches for the remediation of contaminated sites. The first is ex-situ treatment, which involves the removal of the contaminated material for treatment and proper disposal. An example of a conventional ex-situ containment/remediation method used since the 1980s is known as the "pump-and-treat" method. This approach involves delineating the area of contamination, drilling numerous recovery wells in the delineated area and pumping the contaminant out of the ground water treatment and containment disposal. Pump-and-treat methods tend to last longer periods of time, sometimes encompassing years or decades.

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

The Corporation's business model is to create a recurring revenue stream by licensing its Technology to clients for fixed durations. In licensing the Technology, the Corporation provides clients a Powerwave or Primawave system to carry out the licensed process. As such the Corporation capitalizes Powerwave and Primawave systems. As the value proposition to the client is in the process, at no time are the Corporation's systems transferred or otherwise sold to third parties.

OVERALL RESULTS FROM OPERATIONS

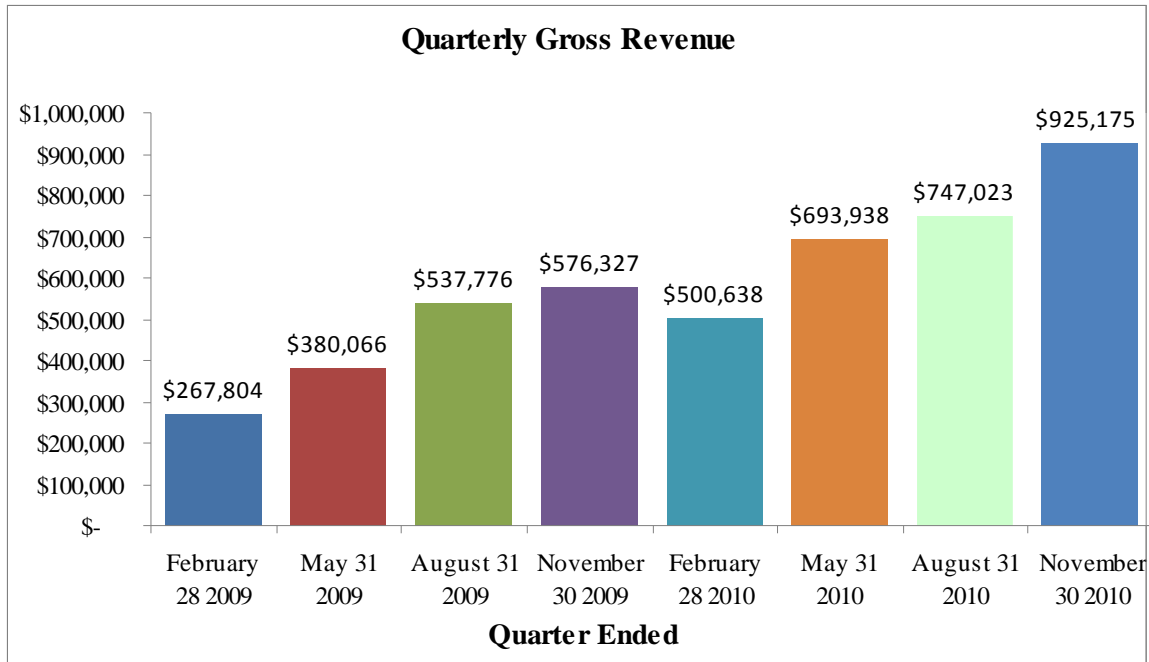
Currently the Corporation manages its business and reporting structure on a consolidated basis, as such, it does not present its operational results on a segmented basis.

In the energy sector, the basic monthly license fee for Powerwave in a water or CO₂ flood is \$6,000 minus any applicable discounts which may include fully discounted or partially discounted periods over the twelve (12) month license term. In previous periods the Corporation recognized revenue when Powerwave tools were deployed. It is important to note that the Corporation has no control over when a client will deploy a Powerwave system. In many cases the decision to deploy is based on service rig availability and scheduling. In an operating oilfield, maintaining production and producing wells take precedent therefore, if a producing well requires servicing it will be placed first on the schedule thus pushing back any other contemplated work on injection wells. Because the Corporation does not control installation timing the Corporation has historically experienced extremely long periods between contract executions to Powerwave implementation resulting in a backlog of installations which in turn adversely affects revenue recognition and growth. With positive Powerwave results in multiple programs and the technology gaining greater

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acceptance, the Corporation has moved to a model where the client agrees to take delivery of Powerwave systems and be invoiced for the licensing fees ninety (90) days from the execution date of a license agreement.

The Corporation continues to make considerable advances in the commercialization of its core Technology. These advances are reflected in increased revenues as charted in the following graph noting the Corporation’s quarterly total gross revenue growth.



Subsequent to the reporting quarter, the Corporation announced an expansion of an enhanced oil recovery Powerwave project for up to 45 additional licenses and systems in Eastern, Alberta. The Eastern Alberta Powerwave project currently has 63 systems installed, with the announced 45 additional systems, the client will have committed to 108 Powerwave systems. The Corporation believes that the expansion of this existing project will help accelerate Powerwave’s commercialisation as well as the above historical revenue growth trend.

As a result of the additional 45 Powerwave systems committed to in Eastern Alberta, the Corporation now has 227 committed contracts. Of the 227 confirmed contracts, 93 Powerwave systems were installed; however, only 49 Powerwave systems were being invoiced due to various incentives and inducements throughout the reporting period. The growing number of Powerwave installations is indicative of the benefits Powerwave has provided current clients and those benefits are being disseminated throughout the industry. The Corporation does anticipate some quarterly variation in the overall number of installations.

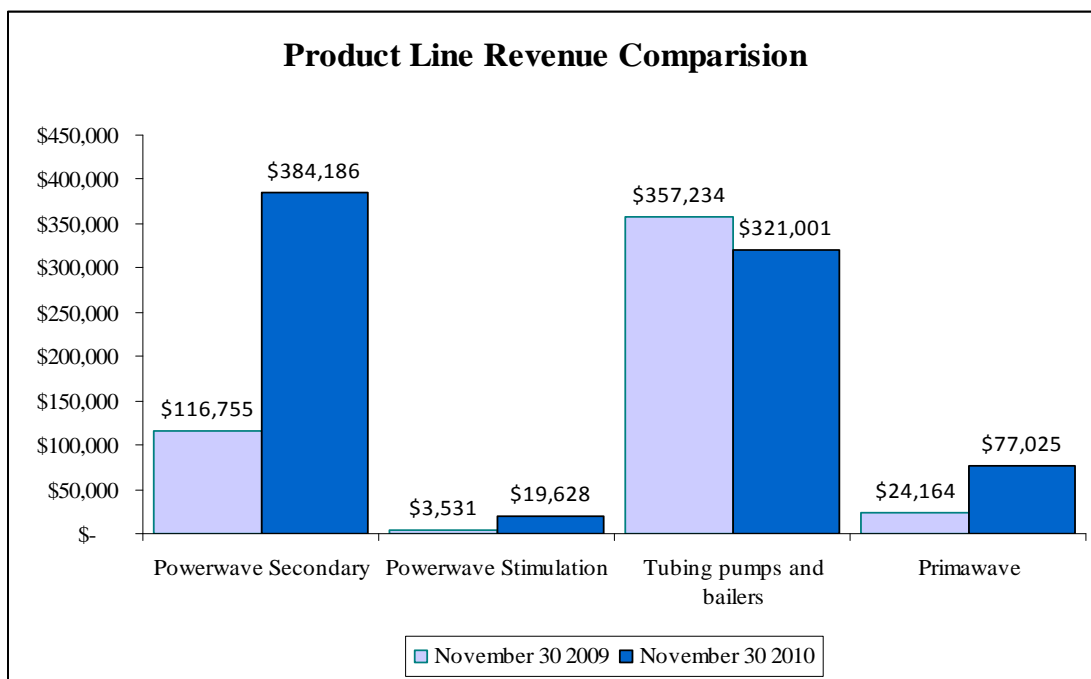
In the environmental sector, the basic licensing fee structure for Primawave is \$500 per day or \$4,000 per month inclusive of the tool. Historically Primawave tools have been licensed more on a daily basis as remedial injection efforts are short-term. Where practical, the Corporation works through accredited service providers such as Coffey Environments in Australia or Geo-Engineering Kft in Hungary.

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Consolidated Results – three months ended November 30, 2010

Revenues

Revenues for the period ended November 30, 2010 were \$925,175, an increase of \$348,848 over the comparative period in 2009 that recognized revenues of \$576,327. Core revenues related to the Technology totalled \$801,840, compared to core revenues of \$501,684 for the comparative period.



The increases in Powerwave, enhanced or secondary oil recovery revenues, relates to the installations of Powerwave systems during the reporting period. This will translate to continued increases in Powerwave licensing revenue for future reporting periods. The increased core revenues are a reflection of the continued advancement of the commercialization of Powerwave and Primawave technologies.

Powerwave product line revenues can be segmented into short-term projects involving well stimulations and long-term projects related to enhanced or secondary oil recovery in waterflood or CO2 flooding applications. For the period ended November 30, 2010, Powerwave revenues related to well stimulations totalled \$19,628 (2009 - \$3,531). It is believed that Powerwave well stimulations may lead to secondary oil recovery applications as client companies become more comfortable with Powerwave and can obtain and validate their own data. For the reporting period revenues related to Powerwave well stimulations was split \$13,500 in Canada and \$6,128 in the United States.

For the period ended November 30, 2010 the total number of long-term Powerwave projects related to secondary oil recovery involving either waterflooding or CO2 flooding totalled \$384,186 compared to \$116,755 in the comparative period. The increase in the related long-term Powerwave revenue relates to increase in the number of contracts entered

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into, increases in installations, and a reduction of discounts and incentives. The growth is also related to customers increasing the number of licensed systems, which is a direct result of Powerwave's effectiveness in increasing oil production rates and decreasing reservoir decline rates. For the reporting period, revenue related to Powerwave for secondary oil recovery applications was split \$288,181 in Canada and \$96,005 in United States.

The current strategy of providing discounts and other inducements to new Powerwave and Primawave customers and market leaders has resulted in increased revenues related to the Corporation's core Technology. Inducements range from discounts to the Corporation's established list price to providing fully discounted initial periods and the inclusion of tool installation. In the oil sector inducements were based on the contract terms and the potential number of Powerwave systems that could be installed in a particular oilfield or with a particular client. As inducements of reduced licensing fees expire and number of installations increase, the Corporation anticipates Powerwave revenues to continue to grow. Further, as customers experience positive Powerwave benefits, i.e., increased fluid injectivity, oil production or decreased oil production decline rate, the Corporation believes that its immediate Powerwave expansion opportunities are in existing client projects and into other oilfields that the client owns or operates.

Powerwave licensing revenue related to secondary oil recovery involves a minimum of a twelve (12) month contract providing a recurring monthly fee. Powerwave licensing revenue and the associated expenses are recognized equally over the term of the licensing contracts. Recognition of the Powerwave licensing fee varies but has been typically once the Powerwave systems are installed and accepted by the Corporation's clients. There have been some instances when the licensing fee was only charged to clients' once the Corporation has demonstrated that the Powerwave systems were operational. Based on positive Powerwave field results, the Corporation believes it can be more aggressive in its billing policies, and is thus, moving to charging its clients the Powerwave licensing fee ninety (90) days after contracts are executed. This is in line with the Corporation's long-term strategy to not be involved in installations and may eliminate the delay in revenue recognition as the Corporation waits for its clients to install the Powerwave tools. When the Corporation provides installations, as an inducement or for a fee, the revenue and associated expense is also recognized over the term of the contract.

At the Corporation's current stage of commercialization a large amount of variability in contract terms exists that affect revenue recognition, for example: licensing rates, sales cycle, customer demand, and rates of installation that affect revenue recognition. It is believed that commodity prices also indirectly affect customer adoption rates as the Corporation has seen:

- Powerwave demand increased when commodity prices are high due to the desire to extract more of the commodity;
- Powerwave demand decreased when commodity prices are high due to the belief that nothing needs to be done to receive extraordinary profits;
- Powerwave demand increase when commodity prices are low from users that need to keep their oilfields profitable; and,
- Powerwave demand decrease when commodity prices are low from a prospective that client's that want to minimize discretionary expenditures.

The Corporation believes that commodity price stability, which allows its clients to plan longer term, is the best macro-environment for Powerwave customers to enter into long term commercial contracts.

Embedded in the tubing pump product line is the same intellectual property that forms Powerwave and Primawave. The tubing pump and bailer product lines revenue totalled \$321,001, a decrease of \$36,233 from \$356,134 recorded in the comparative period in 2009. The relative constant revenue in tubing pump and bailer product line reflects the established

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relationships the Corporation has with the major clients in the in the heavy oil sector of the Western Canadian Sedimentary Basin.

Primawave revenues totalled \$77,025 for the reporting period, an increase of \$52,861 over \$24,164 from the comparative reporting period. The Corporation's Primawave customers are typically environmental consultants that re-sell the Corporation's Primawave technology to responsible parties in an effort to expedite groundwater remediation. Primawave revenues comprise of a licensing fee and primarily relate to shorter term in-situ remediation work.

During the reporting period ended November 30, 2010 the Corporation also recognized production and operator revenues of \$62,072 (2009 - \$50,136) related to the Rogers County and Rodney South ventures. Of the production and operator revenues recognized, \$42,554 (2009 - \$33,321) relates to the Rodney South venture, whereas \$19,518 (2009 - \$16,815) relates to the Rogers County venture.

Interest revenue for the reporting period increased to \$61,263 compared to \$24,507 for the comparative period. The increase of \$36,756 relates to the higher principal balances being invested over the reporting period. The higher principal balances resulted from the April 26, 2010 brokered private placement.

Geographically, \$731,297 (2009 – \$435,035) in revenue was generated in Canada and \$193,878 (2009 - \$141,292) from the United States.

Direct Expenses

Direct expenses principally relate to the service, product and installation costs of the tubing pump and bailer product lines, and any installation, re-installation and warranty costs related to Powerwave that the Corporation chooses to incur as a strategy to increase commercialization rates. Any losses related to Powerwave projects are immediately recognized and have the effect of increasing direct costs for the period in which they occur or are known to occur.

Direct expenses relate to service and royalties revenue, which is associated with the delivery of Powerwave and Primawave, and tubing pumps, bailer and surge cup rentals. Direct expenses increased to \$322,698 (or 40% of gross services and royalty revenue) compared to \$242,705 (or 48% of gross service and royalty revenues) for the comparative reporting period as more fully discussed below. Included in the reporting period's direct costs is \$56,680 related to re-installation fees. The re-installation cost of Powerwave systems over the past two quarters has continued to decline and is indicative of the Corporation's focus on operational excellence. As the Corporation reduces incentives and charges for all installation costs, it is expected that gross margins (i.e., gross revenue less direct costs) will increase accordingly.

Under the various agreements that the Corporation enters into with oil producers, and typical of the industry, no warranties are provided for systems once they are installed downhole. The Corporation however, has chosen to incur the costs related to re-installations on a well-by-well basis and is a result of enhanced service levels that the Corporation deems valuable at this stage for larger commercialization of Powerwave. As the Corporation obtains a larger sample base, similar to other downhole tool and technology companies, future warranty estimates may be made and recorded as direct costs.

Other direct expenses related to the Technology are a result of the Corporation's decision to provide inducements either for discounted or free installations or to oversee the installation of Powerwave or Primawave systems to ensure operational results, and increase commercialization rates. The value proposition of the Technology lays in the benefits of the process and not the activities, including installation, surrounding the Technology implementation; thus, the longer term business model for Powerwave and Primawave is not necessarily to provide installation services. As such, future

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direct costs may decrease as the Corporation continues to move towards Technology implementation being undertaken by the client.

In certain instances clients have requested the presence of technical staff for Technology implementation and the Corporation has not charged for such services. Going forward, in all instances where the client requests the presence of technical staff for Technology implementation the Corporation will charge for such services. Direct expenses related to the tubing pumps, bailer and surge cup rentals include project consumables and labour and are expected to remain constant.

Other Expenses

Other expense for the period amounted to \$2,079,329, compared to \$1,652,109 in 2009. The increase in these expenses of \$427,220 was principally a result of the following changes:

- i) An increase of \$168,424 in "research and development" expenses related to the continued development of enhancements to current Powerwave and Primawave tool designs. In particular during the reporting period the Corporation undertook research towards the development of two new Powerwave tool systems: one capable of generating the designed waveform or process up-hole (versus down hole near the perforations), and another electrical powered system.
- ii) An increase of \$143,834 in "selling, marketing, and travel" expense that relates to increased activity in the current period in the following areas: additional travel costs related to international sales and marketing efforts in Europe, the Middle East and Latin America of \$43,069, general marketing costs related to print and online media of \$22,752 and external sales consultants for the international and US markets which added \$28,671 in costs.
- iii) The following table provides comparative details for the general and administrative expenses:

	2010	2009
	\$	\$
Wages and employee benefits	572,124	552,713
Office	163,368	180,356
Consultant fees	143,502	82,202
Repairs and maintenance	108,586	59,709
Professional fees	90,460	107,811
Vehicle	57,954	51,649
Bad debts	7,166	13,406
Miscellaneous	197	2,572
	1,143,357	1,050,418

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

- An increase in "consulting fees" of \$61,300 that can be attributed to \$10,094 in consulting costs resulting from operating costs associated with the Rodney South Oilfield (page 10), a \$14,959 increase in engineering oversight costs, \$6,000 associated with the implementation of a new occupational health and safety program, \$16,289 in business development fees for international contracts and \$30,000 in further

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sales development in Alberta and Saskatchewan for the tubing pump and bailer product lines. These increases were offset by a reduction in corporate strategic initiatives of \$9,993.

- An increase in "repairs and maintenance" expense of \$48,877 related to one time charges totalling approximately \$14,483 for items purchased for tool assembly that were not used in specific projects and were subsequently expensed, \$4,000 in costs from the Rodney South Oilfield assets (page 9) and approximately \$25,000 in various small parts purchases.

Operating Cash Flows

During the reporting period ended November 30, 2010, the total cash used in operations amounted to \$1,401,499 (2009 – \$1,101,967). Expenses not affecting the cash used in operations, arise from the following non-cash items:

	Three months ended November 30, 2010	Three months ended November 30, 2009
	\$	\$
Items not affecting cash		
Amortization, depreciation and accretion	233,159	214,059
Stock based compensation	145,164	145,810
Gain on disposal of property, plant and equipment	(7,527)	(936)
	370,796	358,933

These non-cash amounts represent 15.4% of total recorded expenditures for the reporting period (2009 – 18.9%). In addition to the above non-cash expenses, the net change in non-cash working capital, which is the relative changes in accounts receivable, inventory, prepaid expenses, and accounts payable and accrued liabilities amounted to \$295,443 (2009 – 142,413).

As well, and in addition to the above, included in the foreign exchange loss is \$9,367 (2009 – \$4,920) that relate to the translation of US dollar denominated expenses and the translation of the US subsidiary.

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

Net Loss and Loss Per Share

The basic and diluted net loss for the period ended November 30, 2010 increased by \$158,365 to \$1,476,852 (\$0.02 per share), compared to \$1,318,487 (\$0.02 per share) in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total assets decreased by \$1,442,737 to \$35,729,745 from the year ended August 31, 2010. The decrease was primarily due to a decrease of \$1,438,967 in cash. Net book recorded values of property, plant and equipment decreased to

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\$4,722,335 from \$4,903,660 at year end, as a result of increased accumulated amortization. The largest component of property plant and equipment are Powerwave and Primawave tools, with an original cost of \$3,120,775, accumulated amortization of \$712,672, and net book value \$2,408,103.

Increased Powerwave and tubing bailer contracts have resulted in increases in accounts receivable by \$89,865 to \$173,566. As well, the increases in the number of contracts have caused the Corporation to increase its inventory levels to \$173,566 from \$83,701 as at August 31, 2010 to meet anticipated installations.

Oilfield Property, Plant and Equipment

The initial acquisitions of oilfield leases were to ensure short term revenue generation and to allow the collection of and audit of Powerwave related data, over a range of different geological conditions. As the Corporation's clients gain their own experience as to the effectiveness of Powerwave, and collect their own Powerwave data and results and there is a greater commercialization of the Powerwave across the oil sector, the strategic importance of the Corporation's oilfield assets has diminished. However, the data originally obtained from the Corporation's various oilfield leases and related assets led directly to the early market adoption, and subsequent expansion, of the Powerwave system installations.

Rogers County Oilfield

During 2005, the Corporation entered into an Option Agreement to acquire a working interest in the production, equipment and mineral leases in Claremore, Oklahoma. The leases, known as the Chelsea-Alluwe Waterflood Leases, are comprised of 780 acres and are situated in Rogers County, Oklahoma and comprised of stripper wells, i.e., producing less than 10 barrels of oil per day. In fiscal 2006, the Corporation became the operator of record, and operated the oilfield as a showcase for its Powerwave technology. With increasing data from third party customers and the Corporation concentration on its core business and not the operating efficiencies of the Rogers County oilfield, the Corporation reassessed the fair value of these assets and recorded a non-cash full impairment charge during the quarter ended August 31, 2010.

The Corporation however, continues to operate the Rogers County oilfield, and records its proportionate net production revenue and expenses as previously classified.

Rodney South Oilfield

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 and will provide field maintenance, support and administrative services. The Corporation is responsible for its proportionate operating costs.

The Corporation has, based on its 50% proportionate working interest, recorded its proportionate net production revenues and operating expenses.

Liquidity

As at November 30, 2010, the Corporation had working capital of \$28,171,693. During the reporting period, the Corporation pledged a \$325,000 closed Guaranteed Investment Certificate as security against a Letter of Credit, issued by TD Canada Trust. The Letter of Credit was issued as security to the Corporation's new Edmonton office and warehouse lease, of which the Corporation has yet to take possession. The value of the Letter of Credit is

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structured to decline each year by \$65,000 and is terminated in year five. The balance of the Corporation's capital is not subject to any external restrictions.

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

It is believed that, as each client experiences positive Powerwave results, further uptake of the Technology will result in future cash inflows but will require the Corporation to increase its Powerwave inventories.

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

Financings

During the three month period ended November 30, 2010, the Corporation did not undertake any financings. However, 24,830 incentive stock options were exercised by employees of the Corporation during the period ended November 30, 2010, at a price of \$0.59 resulting in gross proceeds of \$14,650.

Capital Resources

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

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

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

As of January 25, 2011, there are no amounts owed in respect of the lines of credit and the Corporation had \$27,272,340 of cash on hand. Of the cash on hand, the Corporation has \$7,650,000 in principal invested in a Term Deposit and \$18,625,730 in principal invested in Guaranteed Investment Certificates ("GIC") on deposit with TD Canada Trust, a Canadian chartered bank. The investment in the Term Deposit and GICs are for thirty days, maturing on February 3, 2011 and January 26, 2011, with guaranteed interest rates of 0.95% and 1.0% respectively. Credit risk on the GIC investment is linked to the insurance coverage limits as prescribed by the Canadian Deposit Insurance Corporation and that of TD Canada Trust.



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CONTRACTUAL COMMITMENTS

The Corporation has entered into long-term contractual arrangements from time-to-time for facilities, lines of credit, and the provision of goods and services. The following table presents contractual obligations arising from these arrangements currently in force:

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating lease obligations	\$ 1,892,896	\$ 243,506	\$ 395,811	\$ 397,953	\$ 855,626
	\$ 1,892,896	\$ 243,506	\$ 395,811	\$ 397,953	\$ 855,626

The Corporation is of the opinion that its working capital position of \$28,171,694 as at November 30, 2010 is sufficient to cover its current commitments and operations for the forthcoming fiscal year. It is also anticipated that internally generated cash from operations will continue to increase as the Corporation's core Technologies continue to be commercialized and inducements and incentives decrease. As such the Corporation does not, currently, foresee any need for equity or debt financing, although it may consider future financings based on expected need to finance Powerwave tools, working capital, or acquisitions. As the Corporation moves forward it will consider debt financing of its Powerwave tools to better match the assets life and revenue streams with the financing sources. Any such financing will depend on the Corporation's credit rating, quality of licensing contracts, etc.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

- i) During the period ended November 30, 2010, directors were issued 545,000 incentive stock options with an exercise price of at \$0.97. The stock options are subject to the Stock Option Plan, and expire on September 14, 2015.
- ii) 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. As at November 30, 2010, the Corporation recorded \$15,605 in revenue related to Powerwave tool installation, with \$5,253 included in accounts receivable.

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PROPOSED TRANSACTIONS

At the time of the report the Corporation has no proposed transactions.

OUTLOOK

Although economic conditions have improved and oil prices have increased over the previous year, the risk of volatility in the commodity markets remains which may influence the Corporation's efforts to commercialize Powerwave in the oil sector. However, with an increasing confidence in the user sector as to the commercial benefits of the Technology related to increased production, slowing the rate of production decline, and the addition of more proven reserves, the Corporation anticipates increased commercialization as it focuses on expanding current programs and attracting new clients in North America with emphasis on the Western Canadian Sedimentary Basin, West Texas, and California.

The downturn in the US economy over the past two years had and continues to have a negative impact on Brownfield (abandoned industrial sites with environmental contamination) redevelopment and addressing property transfer liabilities which represent two large markets for environmental groundwater remediation. Given the US real estate market activity, Primawave usage is not anticipated to grow significantly in fiscal 2011.

With increased activity in the Western Canadian Sedimentary Basin it is anticipated that the Corporation's pump and tubing bailer rental business in western Canada will see moderate growth.

The Corporation will focus its efforts for the remainder of fiscal 2011 on the following:

- i) Work with existing clients to install all Powerwave systems associated with executed agreements;
- ii) Continue to leverage the positive results of Powerwave to expand the use of the process with current clients across their entire operations as well as adding new clients across North America;
- iii) Continue the aggressive strategy to penetrate the North American single well workover / stimulation market by expanding the certification program for large and mid-tier coil tubing companies acting as Powerwave service providers;
- iv) Finalize pending international Powerwave contracts and focus future marketing through a network of third-party distributors;
- v) Continue to expand the use of Primawave targeting decision makers in the environmental consulting community; and,
- vi) Continue to develop the Corporation's tubing bailer and Shark pump rental business.

Successfully achieving the above efforts will move the Corporation towards positive income and cash flow position. The timing of positive income and cash flow will be dependent upon the installation rate of the backlog of existing Powerwave contracts which is beyond the Corporation's control or influence, and the sales cycle to secure new contracts where the time to recognizing revenue is not fully dependent on Powerwave tool installation.



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RISK AND UNCERTAINTIES

The Corporation's business risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2010.

ENVIRONMENTAL RISK

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

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

There are no known environmental trends, and the exposure to future environmental obligations is currently limited to the asset retirement obligations associated with the Rogers County and Rodney South oilfields as disclosed in note 6 to the interim financial statements for the quarter ended November 30, 2010.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's critical accounting policies and estimates are the same as disclosed in its audited financial statements, and accompanying MD&A for the year ended August 31, 2010.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies and future accounting changes not yet applied are disclosed in the notes to the audited consolidated financial statement for the year ended August 31, 2010.

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Goodwill and Intangible Assets

Effective September 1, 2009, the Corporation adopted the revised CICA Handbook Section 3064 "Goodwill and Intangible Assets", which replaces the existing standard for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The revised standard addresses the requirement for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The revised standard did not have a material effect on the Corporation's financial position or results of operations.

Financial Instruments

The CICA amended Handbook Section 3862 "Financial Instruments – Disclosures" in June 2009. The revised section includes additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements. The amendments apply to annual financial statements with fiscal years ending after September 30, 2009. The adoption of these amendments did not have a material affect on the Corporation's financial statements.

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.

International Financial Reporting Standards

On April 24, 2006, the Accounting Standards Board ("AcSB") of Canada announced its plan to adopt International Financial Reporting Standards ("IFRS"), previously known as International Accounting Standards, replacing Canadian Generally Accepted Accounting Principals ("GAAP"), with adoption on January 1, 2011. IFRS requires the application of IFRS retrospectively except for a small number of specific exceptions and exemptions provided for entities adopting IFRS for the first time. In order to reflect the cumulative impact from the retrospective adjustments required to reflect the difference between GAAP and IFRS, the Corporation will be required to prepare an opening IFRS balance sheet with all cumulative adjustments as at September 1, 2010. The opening IFRS balance sheet will need to be audited since it will be the opening position of Wavefront when it reports under the converged IFRS standards. The Corporation's first financial reporting in accordance with IFRS will be the its first quarter ending November 30, 2011, with the first set of audited, IFRS compliant, consolidated financial statements required for the Wavefront's year ending August 31, 2012.

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IFRS will not only impact the presentation and disclosure of items in the financial statements of the Corporation but also the calculation of future profits and the measurement of balance sheet items. In addition, there are a number of wider business issues which will need consideration and careful planning including managing shareholders' expectations, employee training, information systems and internal controls.

Given the level of information gathering required as part of the process, during the fiscal year the Corporation worked with Deloitte & Touche LLP to identify and performed a detailed analysis of differences between Canadian generally accepted accounting principles and IFRS in Corporation's financial statements. Further, the Corporation has drafted its IFRS policy exemptions, accounting policy choices and is assessing the impact of those policy choices. In assessing the impact of those policy choices, the Corporation is working with its auditors, PricewaterhouseCoopers LLP, to ensure agreement with the policy selection and adoption and whether those policy choices will be applied on a retrospective or a prospective basis.

It is expected that the Corporation will finalize its analysis of differences between Canadian generally accepted accounting principles and IFRS, and be able to perform a calculation of IFRS differences related to IFRS policy adoption in fiscal 2011.

FINANCIAL AND OTHER INSTRUMENTS

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

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and short-term investments, accounts receivable and non-participation amounts due. 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.

Concentrations of credit risk with respect to accounts receivable are limited as the majority of transactions are with large publicly traded corporations or government organizations dispersed across geographic areas. Credit risk, with respect to accounts receivables in Canada and the United States, is also limited due to the Corporation's credit evaluation and cash management processes.

Foreign currency risk

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

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Fair value of financial instruments

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

SUPPLEMENTARY INFORMATION

Summary of Quarterly Results

	1st Qtr Nov 30 '10	4th Qtr Aug 31 '10	3rd Qtr May 31 '10	2nd Qtr Feb 28 '10
Revenue	\$ 925,175	\$ 747,023	\$ 693,938	\$ 500,638
Net Loss	\$ (1,476,852)	\$ (3,720,982)	\$ (1,820,988)	\$ (1,778,332)
Basic and diluted loss per share	\$ (0.018)	\$ (0.042)	\$ (0.025)	\$ (0.025)
Common shares outstanding				
Weighted average shares outstanding	82,827,568	75,770,126	73,401,295	72,028,109
Diluted shares outstanding	84,075,144	76,133,567	73,828,664	72,463,649

	1st Qtr Nov 30 '09	4th Qtr Aug 31 '09	3rd Qtr May 31 '09	2nd Qtr Feb 28 '09
Revenue	\$ 576,327	\$ 537,776	\$ 380,066	\$ 267,804
Net Loss	\$ (1,318,487)	\$ (1,929,087)	\$ (1,763,451)	\$ (1,544,745)
Basic and diluted loss per share	\$ (0.018)	\$ (0.026)	\$ (0.025)	\$ (0.022)
Common shares outstanding				
Weighted average shares outstanding	71,946,949	71,513,398	71,513,398	71,467,488
Diluted shares outstanding	72,500,051	72,650,881	72,650,881	72,569,048

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

(2) All amounts in Canadian dollars except share data

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DESCRIPTION OF SHARE CAPITAL

As at November 30, 2010, the Corporation's share capital consists of the following:

Common shares				
Authorized:				unlimited
Issued and outstanding:				
Free trading	82,239,574			
Escrow shares	<u>600,000</u>			
				82,839,574
Convertible into common shares				
Share purchase warrants	5,219,085			
Incentive stock options	<u>3,341,920</u>			
				<u>8,561,005</u>
Fully diluted share capital:				<u>91,400,579</u>

The above noted escrow shares are subject to a value escrow agreement related to the acquisition of Top Gun Sand Pumps & Rentals Ltd. in a prior year. As at November 30, 2010, 90,000 of the shares in escrow have been released from escrow.

Market for Securities

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

The Corporation maintains a Stock Option Plan under which it may grant options for up to 10,711,558 shares of the Corporation at an exercise price no less than the market price of the Corporation's share price at the date of grant. All stock options issued under the Stock Option Plan vest equally, in three month intervals, over eighteen months.

Options granted during the period

Date of Grant	Number of Shares	Optionee	Exercise Price	Expiry Date
September 14, 2010	545,000	Insiders	\$ 0.97	September 4, 2015
October 15, 2010	<u>200,000</u>	Employee	\$ 1.61	October 15, 2015
	745,000			

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Options outstanding

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share \$
October 15, 2010	October 15, 2015	200,000	1.61
September 14, 2010	September 14, 2015	545,000	0.97
July 14, 2010	July 14, 2015	170,000	1.45
September 4, 2009	September 4, 2014	252,500	0.72
July 8, 2009	July 14, 2014	61,500	0.59
January 30, 2009	January 30, 2014	26,250	0.60
January 5, 2009	January 5, 2014	600,000	0.54
June 27, 2008	June 27, 2013	115,000	2.90
March 4, 2008	March 4, 2013	200,000	2.05
February 22, 2008	February 22, 2013	210,000	1.65
February 14, 2008	February 14, 2013	50,000	1.40
March 6, 2007	March 6, 2012	86,670	0.97
August 1, 2006	August 1, 2011	100,000	1.76
January 11, 2006	January 11, 2011	725,000	2.95
		3,341,920	

Share purchase warrants outstanding

Date of Grant	Number of Share Purchase Warrants	Exercise Price	Expiry Date
April 26, 2010	5,219,085	\$ 2.75	April 27, 2011
5,219,085			

In connection with the brokered private placement that closed on April 26, 2010, the Corporation issued 5,219,085 non-transferable share purchase warrants ("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.

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CONTROLS AND PROCEDURES

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

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

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

The Corporation's certifying officers of the Annual Form are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in that certificate. However, the reader should be aware that inherent limitations on the ability of the certifying officers to design and implement, on a cost effective basis, DC&P and ICFR for the Corporation as defined in NI 52-109, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation, including this Management Discussion & Analysis.

FORWARD-LOOKING INFORMATION

Certain statements contained herein regarding Wavefront and its operations constitute "forward-looking statements" within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations or future performance of Wavefront and or any of its subsidiaries, as described in the Management Discussion and Analysis above, are "forward-looking statements". Statements of this type are contained in this report, including the discussion of future conditions under the headings "Overall Results from Operations" and "Liquidity and Capital Resources" and expectations under the heading "Outlook". We provide a financial outlook (a type of forward-looking statement) for Wavefront's business under the heading "Outlook" in order to describe the management expectations and targets by which Wavefront measures its

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success and to assist Wavefront shareholders in understanding Wavefront's financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other comparable terminology. We caution that such "forward-looking statements" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Such material factors include fluctuations in the acceptance rates of Wavefront's Powerwave and Primawave Processes, demand for products and services, fluctuations in the market for oil and gas related products and services, the ability of Wavefront to attract and maintain key personnel, technology changes, global political and economic conditions. For a more detailed description of these risks, and of other risks to which Wavefront is subject, please see the "Risks and Uncertainties" section in our Annual Report for the year ended August 31, 2010 incorporated by reference herein. In determining Wavefront's forward-looking statements, Wavefront considers material factors including assumptions and expectations about: customer demand and adoption rates for Wavefront's products; commodity prices and interest and foreign exchange rates; and the availability and cost of inputs, labour and services, patent, technology and competitive risk. These material risk factors and material assumptions are not intended to represent a complete list of the factors that could affect Wavefront; please see other factors that are described in further detail in Wavefront's continuous disclosure filings, from time to time, and available on SEDAR at www.sedar.com.

The forward-looking statements contained herein represent Wavefront's expectations at January 25, 2011, and, accordingly are subject to change after such date. Except as may be required by law, Wavefront does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time.

ADDITIONAL INFORMATION

Additional information regarding Wavefront Technology Solutions Inc. can be found on System for the Electronic Document Analysis and Retrieval ("SEDAR" at www.sedar.com).