Wavefront Technology Solutions Inc.

Annual Report

For the fiscal

year ended

August 31, 2013

The following discussion and analysis of financial results should be read in conjunction with the audited financial statements and the accompanying notes for the year ended August 31, 2013 and is based on information available to December 17, 2013. Additional information on Wavefront Technology Solutions Inc.'s (the "Company" 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

Management has prepared this Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Wavefront Technology Solutions Inc.'s (the "Wavefront" or "the Company") financial results prepared in accordance with IFRS. The MD&A primarily compares the audited financial results for the fourth quarter and twelve months ended August 31, 2013 to August 31, 2012. Management has established and maintains an accounting and reporting system supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records (also see section titled "Controls and Procedures" page 32). The financial information presented throughout the Annual Report is consistent with the consolidated financial statements.

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

PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of shareholders at the Company's most recent annual general meeting, as external auditors of the Company. The Independent Auditors' Report to the shareholders, which describes the scope of their examination and expresses their opinion, is presented in the consolidated financial statements.

The Audit Committee of the Board of Directors, whose members are independent as defined in National Instrument 52-110: Audit Committee, meet to review the consolidated financial statements with management and the auditors, and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors has approved the consolidated financial statements.

NON-IFRS MEASURES

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

- Working capital is calculated by subtracting current liabilities from current assets. Working capital is a non-IFRS measure with no comparable IFRS measure;

- Gross profit is calculated by deducting cost of sales which includes direct costs, such as direct materials, direct labour, travel related expenditures, sub-contractors, shipping, duties and taxes, from gross revenue. Gross profit margin is calculated by dividing the gross profit by gross revenue. Gross profit is a non-IFRS measure with no comparable IFRS measure;

- Cash flow used in operating activities is a measure of the total cash generated from the Company's operations and is calculated by adding back amortization, share based payments and other non-cash items to net income and then adjusting for changes in working capital. Cash flow used in operating activities is a component of the IFRS consolidated statement of cash flows;

- Core revenues are defined as revenues derived directly or indirectly from Wavefront's technologies, include revenues attributed to Powerwave, Primawave, tubing pumps and bailers, and exclude oil and gas production revenues. Core revenues are a non-IFRS measure with the most comparable IFRS measure being revenues, and;

- EBITDA, an acronym for earnings before interest, taxes, depreciation, and amortization, is calculated by adding back all interest, tax, depreciation and amortization to net loss. EBITDA is an additional IFRS measure with the most comparable IFRS measure is net income (loss).

Non-IFRS measures are viewed as key information as the chief decision maker, being the President and Chief Executive Officer, regularly reviews such measures in making expense and capital investment decisions.

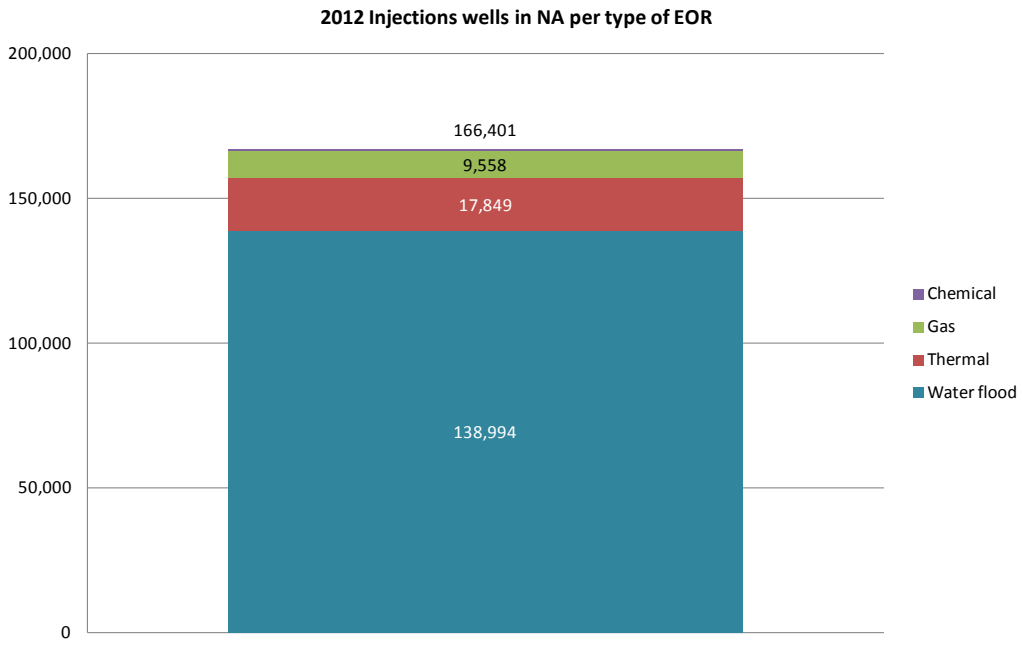
OVERVIEW OF BUSINESS

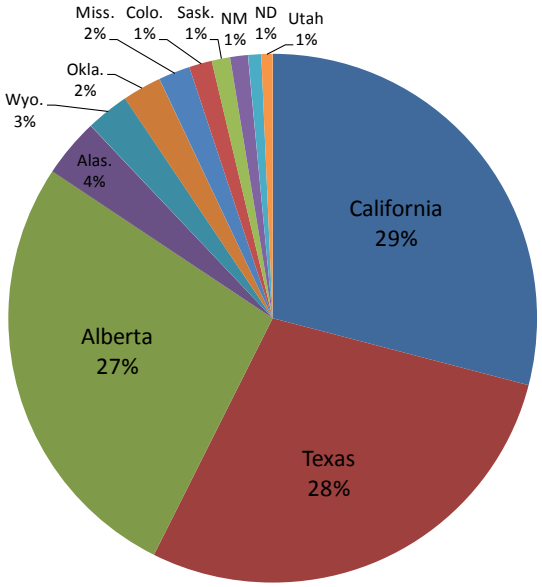
Wavefront's business operates in a market where there is increasing demand to bring economically beneficial solutions to exploration and production companies (or "E&P" companies) to maximize oil and gas productivity. Central to Wavefront's broad portfolio of technologies is the fluid delivery process, Powerwave[1] that encompasses the life cycle of a client's post exploration operations. Powerwave is an effective method for: mature field revitalization (enhanced oil recovery or "EOR"), increasing well productivity through well stimulation, and performance drilling.

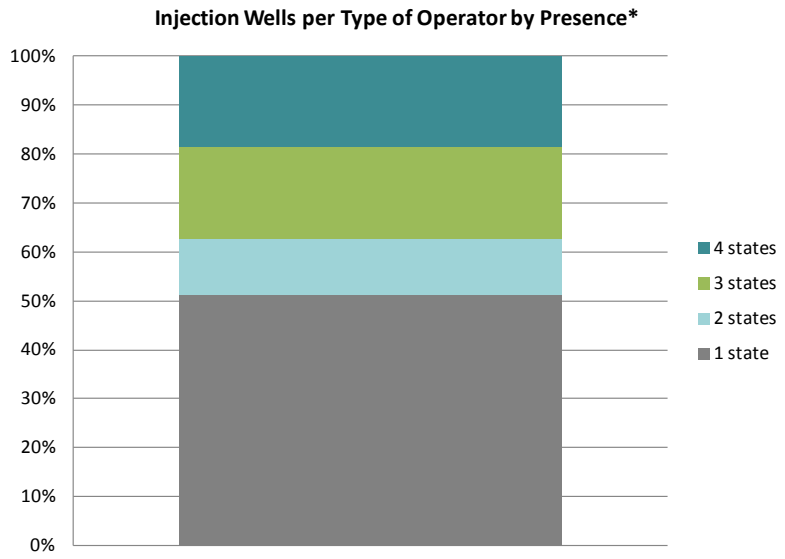
Wavefront's unique combination of multi-patented technology, deep market understanding, and an extensive reach through marketing partners provides a distinct competitive advantage to position the Company to capitalize on this global opportunity.

For EOR, Wavefront's Powerwave enables more uniform distribution of the flooding fluid to efficiently mobilize bypassed oil trapped between injection wells and production wells. In North America there are 166,401active wells used to inject water, polymers, surfactants, and combinations thereof[2]. These wells are heavily concentrated in Alberta, California, and Texas. Additionally, 13 companies who operate in multiple States or Provinces control 49% of the injection wells.

[1] Powerwave is a registered Trademark of Wavefront Technology Solutions Inc.
[2] Ducker Worldwide NA LLC, September 2013

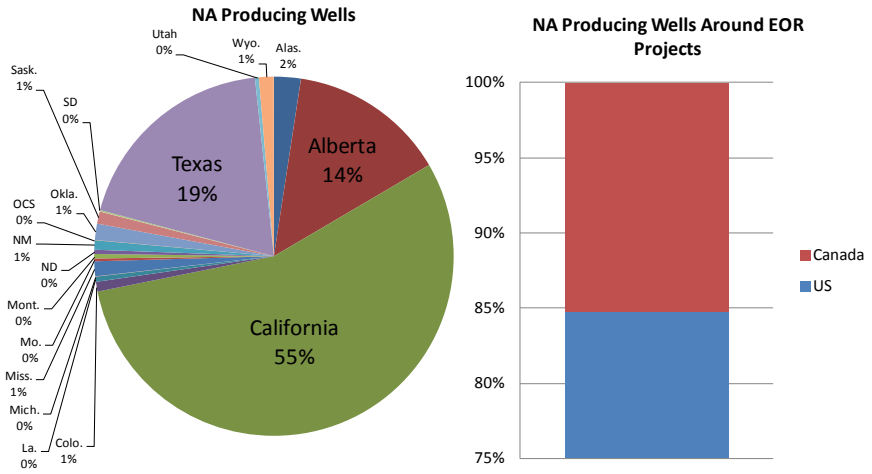

2012 Injections wells in NA per type of EOR
200,000
150,000
100,000
50,000
0
166,401
9,558
17,849
138,994
Chemical
Gas
Thermal
Water flood


California 29%
Texas 28%
Alberta 27%
Alas. 4%
Wyo. 3%
Okla. 2%
Miss. 2%
Colo. 1%
Sask. 1%
NM 1%
ND 1%
Utah 1%



Improved well stimulation leading to increased post-stimulation production performance is achieved with Wavefront's Powerwave well stimulation tools that maximize volumetric contact area with the reservoir during the stimulation operation. The well stimulation market is in excess of $1 billion[3] annually as virtually all production and injection wells periodically require some form of stimulation to enhance production or injection.

In North America all producing, injection, and newly drilled wells are targets for well stimulation. However, to aid in marketing Powerwave EOR projects Wavefront will place specific emphasis on wells associated with EOR developments in Alberta, Texas, and California.

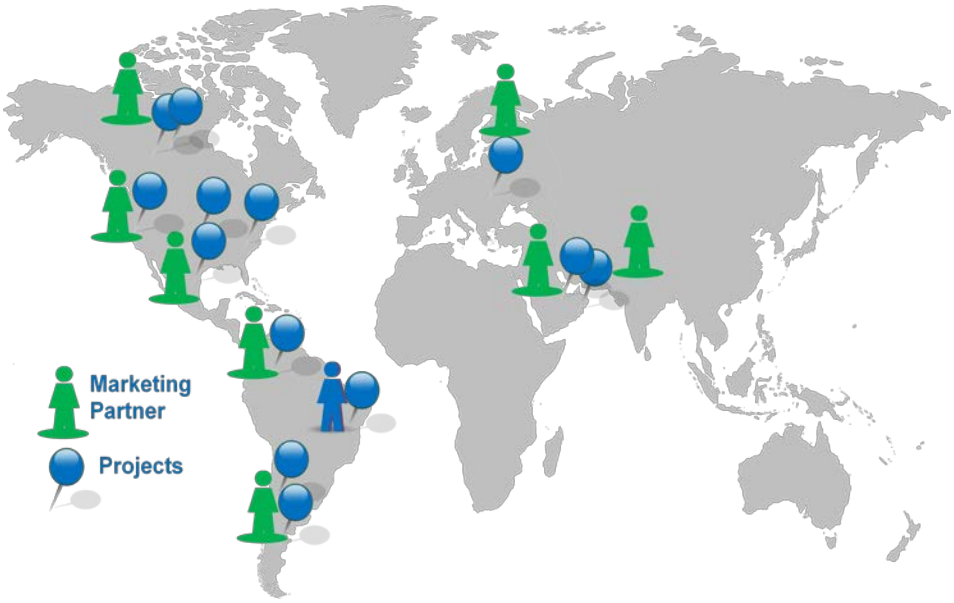


Percentage of Producing Wells Around EOR Projects in North America

[3] Bcc Research, June 29, 2011

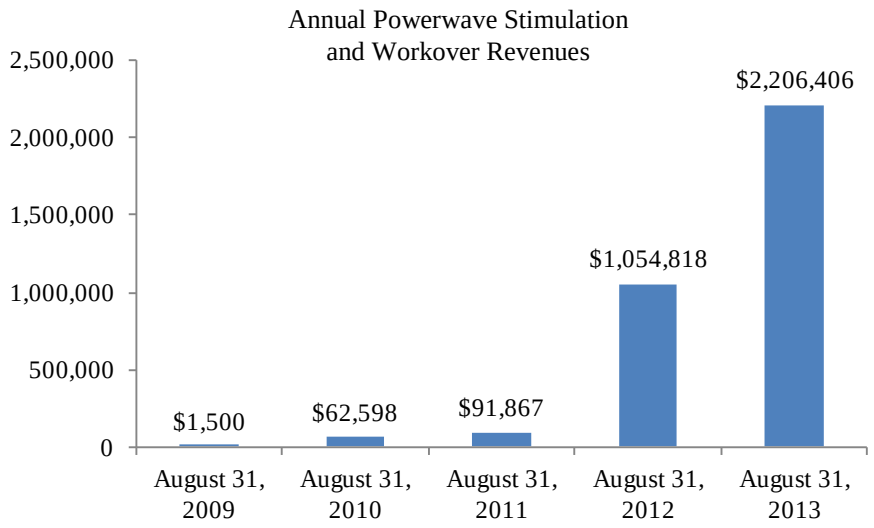
OUTLOOK

Wavefront is uniquely positioned to capitalize on significant growth opportunities. The Company believes that no competitor has a similar, diverse portfolio of unique fluid injection methodologies and tools. By leveraging the Powerwave technology platform across multiple oil industry applications, Wavefront is seeking to minimize technology risk and accelerate commercialization timelines. We remain confident that with our knowledge and expertise as well as the experience and positioning of our marketing partners that, over the long term, our Company will continue to grow market opportunities in key geographical focus areas.

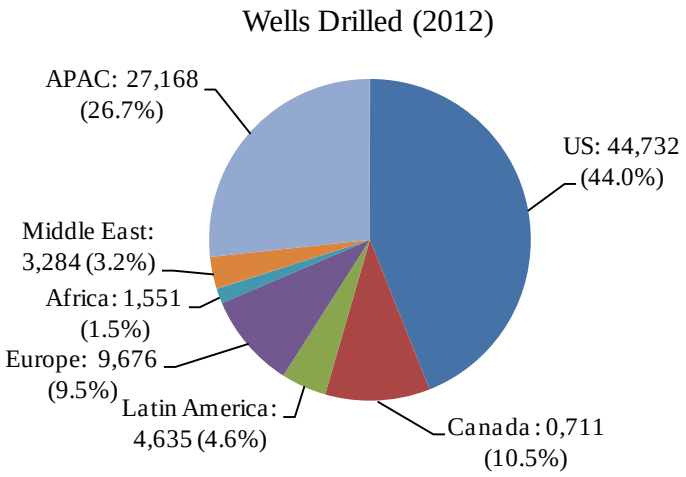


Although our Company expects to see revenue growth in all product lines overall results may remain susceptible to quarter-over-quarter variability due to technology adaption rates, direct and indirect competition as well as client economics. The risk of volatility in the commodity and financial markets may also influence the Company's on-going efforts to commercialize certain Powerwave applicatons. For example, during the calendar year 2013 the price differential between the benchmark heavy oil prices in Canada, Western Canadian Select ("WCS") relative to West Texas Intermediate ("WTI") has ranged from approximately $17 to $32 per barrel. The Company anticipates that prolonged high price differentials may negatively impact Powerwave EOR activities in Canada as oil producers evaluate operational strategies to reduce operating costs.

In prior years our Company placed its primary marketing focus on Powerwave EOR projects worldwide. In fiscal 2013 Wavefront deliberately refocused its marketing initiatives to grow the Powerwave stimulation product line in North America. This strategy has shown to be beneficial and is delivering the anticipated financial results.



Also in 2013 the Company introduced Powerwave Trailblazer performance drilling as a new science-based innovative technology with significant competitive advantages and revenue generating potential. The United States and Canada represented 55% of global drilling activity in 2012.[4] The Company does not however expect to grow this market organically and it will rely on well positioned, third-party drilling-related service providers to cultivate market penetration.



[4] Ducker Worldwide NA LLC, September 2013

Though there are global market opportunities for Powerwave Wavefront must prioritize where to place its sales and marketing efforts to drive higher growth. Within North America and supported by statistical market surveillance Wavefront will increase its presence in the Alberta, Texas, California and Rocky Mountain regions. To open new markets outside of North America the Company is aligned with third-party marketing partners to drive local market penetration. Presently, Wavefront has marketing partners in Saudi Arabia, Oman, Colombia, Argentina, Brazil, Mexico, Romania, the United States, and Canada.

Given the nature of the intellectual property related to Powerwave, the original business model Wavefront adopted for EOR sales was a fixed yearly licensing fee per well which would result in recurring revenue. Based on client feedback and further market intelligence Wavefront has implemented a new model where the Company will sell to the client the downhole tool and ancillary equipment and charge the client a renewable yearly maintenance fee tied to an umbrella license. This strategic shift allows the client to capitalize the equipment purchase and lower the operating costs associated with deploying Powerwave. It is thought that this new model may lead to more rapid adaption rates of Powerwave for EOR applications.

Wavefront's overall objective is to grow revenue in all product lines, maintaining high gross profit margins, controlling expenses, and obtaining near-term profitability. To realize increased market penetration, market positioning and revenue growth Wavefront will:

i) Expand our leadership across high-value oil field segments in the Alberta, Texas, California and Rocky Mountain regions;

ii) Strengthen our leadership as a provider of differentiated, high economic value technology;

iii) Leverage Powerwave through marketing partners in key geographic regions;

iv) Broaden market awareness of Powerwave successes and economic benefits through effective communication and marketing actions;

v) Invest in new systems and tools as well as service developments and enhancements to advance market awareness and improve the client experience; and,

vi) Evaluate strategic alliances with established industry leading service providers to build shareholder value.

OVERALL RESULTS FROM OPERATIONS

Wavefront operates with one reportable segment that covers all aspects of the Company's business.

Wavefront considers the basis on which it is organized, including the economic characteristics (such as the nature of the products and service, types of customers, quantitative and qualitative thresholds, etc.) and geographic areas, in identifying its reportable segment. The operating segment(s) of the Company is defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Company is the President and Chief Executive Officer.

Within this MD&A, however, Wavefront provides additional product level information such as revenues by product line and geography, and gross profit margins by product line, which are within its one reportable segment, as it believes this additional information is useful supplemental information to investors with respect to the development of the business

In fiscal 2013, Wavefront continued to achieve advances in product commercialization as total revenue amounted to $5,909,950, an increase of $277,949 over the comparative period that reported total revenues of $5,632,001.

Fourth quarter gross revenues (i.e., three months ended August 31, 2013) amounted to $1,693,856, which were relatively flat compared to revenue of the prior quarter (i.e., three months ended May 31, 2013) of $1,659,021. The slight increase in quarter-over-quarter revenues is attributed to higher Powerwave stimulation revenues, which were offset by lower EOR gross revenues in North America of $176,235 in the comparative quarter (fourth quarter 2012) that related to Powerwave tool installation revenues associated with month-to-month Powerwave contracts.

After a thorough review of evolving market forces our Company's strategic plan was realigned to focus Wavefront's marketing activities: (i) establish a sound presence in North America in the Alberta, Texas, California, and Rocky Mountain regions; and, (ii) in the high value markets of Latin and South America, and the Middle East, continue to grow Powerwave EOR revenue through well-placed marketing partners.

It was anticipated that realignment in focus could, in the short term, affect Powerwave EOR revenue however this strategic decision has demonstrated a very positive increase in Powerwave well stimulation gross revenue generation where gross revenue increased $1,151,588 or 109.2% to $2,206,406 from $1,054,818 in fiscal 2012.

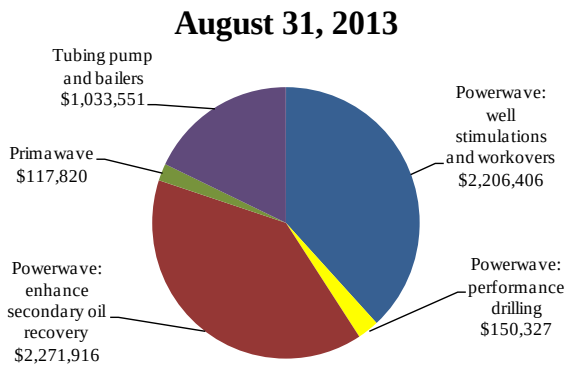
Revenues for the year ended August 31, 2013 for Powerwave and Primawave approximated $4,746,469 or 80.3% of revenues; whereas in the comparative reporting period, Powerwave and Primawave approximated $4,266,742 or 75.8% of revenues. Powerwave revenue growth continues as applications are diversified and strengthened.

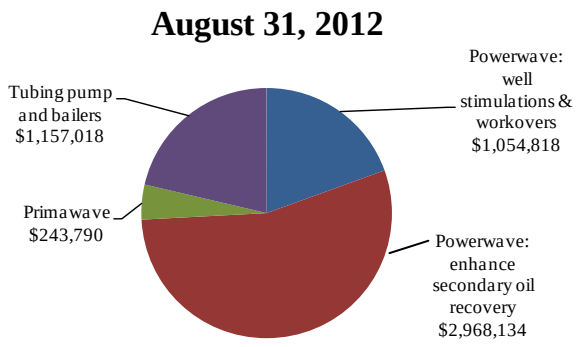
Internationally our Company has confirmed Powerwave EOR and well stimulation contracts in Oman, Argentina, Colombia, Mexico, and Brazil. Pending contracts in these countries approximate over $4 million, which when realized represent approximately 95% of similar product line revenues in the current fiscal year. To realize these high growth opportunities and meet foreign operating requirements, the Company entered into "Representation Agreements" in Oman, Colombia, Mexico, Brazil, and Argentina. Subsequent to fiscal 2013 year end Wavefront entered into a "Distribution Agreement" with an established service company in Saudi Arabia and the Company anticipates an immediate opportunity for well stimulations in that country. These "Powerwave Certified Providers" are our Company's "boots on the ground" in each country and function as our daily marketing arm, holders of inventory, and personnel for Powerwave related work. Representatives and Distributors are compensated through Powerwave sales and as Powerwave becomes more established, the Representatives will play a pivotal role in accelerated revenue growth in their respective regions.

Consolidated Results – fiscal year ended August 31, 2013

Revenues

Revenues for the fiscal year ended August 31, 2013 were $5,909,950, an increase of $277,949 over the comparative period in 2012 that recognized revenues of $5,632,001. Core revenues totalled $5,780,020, an increase of $356,260 over core revenues of $5,423,760 for the comparative period. The changes in product line mix can be characterized as follows:





Revenue attributed only to Powerwave product lines were $4,628,649, an increase of $605,697 or 15.1% over revenues in the comparative period of $4,022,952. The Powerwave product line revenues can then be broken into short-term projects involving well stimulations, long-term projects related to using Wavefront's technology EOR applications, and performance drilling projects.

For fiscal 2013, Powerwave revenues related to well stimulations totalled $2,206,406, an increase of $1,151,588 or 109.2% over revenues of $1,054,818 in the comparative period. It is believed that Powerwave well stimulations may lead to EOR applications as client companies become more familiar with the technologies and can obtain and validate their own data related to Powerwave.

For fiscal 2013 the total revenue of long-term Powerwave projects related to EOR activities totalled $2,271,916, a decrease of $696,218 compared to $2,968,134 in the comparative period. The lower EOR gross revenues were principally due to lower revenues in North America and the recognition of revenues of $176,235 in the comparative quarter (fourth quarter 2012) that relate to Powerwave tool installations associated with month-to-month contracts. As mentioned, the Company anticipated that EOR revenue could, in the short term, be affected by the Company's strategic realignment in marketing focus. The Company however, expects increased Powerwave EOR revenues to be recognized elsewhere as new projects commence. As the Company moves forward it is anticipated that the realignment will promote positive revenue growth across all Powerwave product lines.

In fiscal 2013 the Company's marketing partners began piloting its Powerwave performance drilling product line generating revenues totalling $150,327 (2012 - $nil). The Powerwave performance drilling product line is highlighted as it is a new product line within the Powerwave product group. The Powerwave performance drilling product line remains introductory but once commercialized could have revenue growth rates similar to that of Powerwave well stimulations.

For fiscal 2013, Primawave revenues totalled $117,820 for the reporting period, a decrease of $125,970 from the comparative reporting period. Wavefront's customers are repeat clients who had previous success with the technology. These clients are typically environmental consultants and service contractors that utilize Primawave technology to expedite groundwater remediation. Primawave revenues comprise a short-term licensing fee.

For fiscal 2013, revenues from the tubing pumps and bailer product line totalled $1,033,551, a decrease of $123,467 compared to $1,157,018 in the comparative period. Tubing pumps and bailer revenues are comprised of tool rental, delivery and refurbishment fees.

During the fiscal year ended August 31, 2013, the Company also recognized production and operator revenues of $129,930 related to the Rodney South venture. In the comparative year the Company recognized production and operator revenues of $138,232 related to the Rodney South venture, and $70,007 related to the Rogers County venture, the latter of which was sold in the comparative year.

Geographically, $3,602,523 (2012 – $4,064,865) in revenue was generated in Canada, $1,503,680 (2012 - $1,364,180) from the United States, and $803,747 (2012 - $202,956) internationally. The geographic revenues are more specifically described as follows:

Canada. Gross revenues in our Canadian operation decreased by $462,342 to $3,602,523 compared to $4,064,865 in fiscal 2012. It is believed that the heavy to light oil price differential and lower interest rates as well as the shift in marketing focus have contributed to the decrease in revenue.

Powerwave EOR applications revenues totalled $1,464,726 (2012 - $2,364,413); Powerwave well stimulation revenues totalled $968,600 (2012 - $325,834); Powerwave performance drilling totalled $13,685 (2012 - $nil); Primawave revenues totalled $nil (2012 - $79,368); tubing pump and bailer revenues totalled $1,033,551 (2012 - $1,157,018); and oil production revenue totalled $121,961 (2012 - $138,232). We believe that Powerwave well stimulation revenues will continue to grow in 2014.

United States. Gross revenues in our US operation increased by $139,500 to $1,503,680 (2012 - $1,364,180). Powerwave EOR applications revenues totalled $371,784 (2012 - $456,892); Powerwave well stimulation revenues totalled $896,462 (2012 - $704,562); Powerwave performance drilling totalled $136,642 (2012 - $nil); Primawave revenues totalled $90,823 (2012 - $132,719); and oil production revenue totalled $7,969 (2012 - $70,007). The Company's focus in the United States is on Powerwave well stimulation activities primarily in Texas and California.

International: Gross revenues outside our Canadian and US operation increased by $600,791 to $803,747 (2012 - $202,956). Powerwave EOR applications revenues totalled $341,344 (2012 - $146,831); Powerwave well stimulation revenues totalled $435,406 (2012 - $24,422); and Primawave revenues totalled $26,997 (2012 - $31,703). The increases in Powerwave EOR applications is contrary to the Company experience in Canada and the United States but reflects the interest in technology to bolster oil production in Oman, Argentina, Colombia, Mexico, and Brazil. Working with our marketing partners and internal sales personnel our Company's goal is to widely expand market penetration in all Powerwave product lines.

Costs of Sales

Under IFRS cost of sales includes direct labour, wage benefits and associated stock option benefits, consumable (i.e., inventory) parts, third party installation costs of Powerwave, Primawave, tubing pump and bailer product lines and oil and gas properties and, any associated loss or gain on sale and the write-down.

Any losses related to Powerwave projects are immediately recognized and have the effect of increasing direct cost for the period in which they occur or are known to occur.

Cost of sales increased by $965,101 to $2,219,396 (or 37.6% of revenues) compared to $1,254,295 (or 22.3% of revenues) for the comparative reporting period.

The increase of $965,101 in costs of sales relate to the following:

- At year end, Wavefront classified the South Rodney oilfield assets and liabilities, inclusive of the decommissioning obligation, as held for sale. In classifying South Rodney oilfield as held for sale, the Company was required to assess the value it would receive less selling costs, and determined a value of $nil as fair value. With attributing a fair value of $nil, Wavefront recorded an impairment write-down of $674,091 that is attributed to costs of sales. In the comparative year ended August 31, 2012, Wavefront sold its proportionate interest in its Rogers County oilfield assets and liabilities. As the Rogers County oilfield assets were fully impaired as a result of prior impairments, the Company recorded a gain of $72,304 that is recorded to costs of sales. Eliminating the aforementioned impairment write-down resulting from the respective classifying of South Rodney as held for sale and the gains from the disposition of Rogers County oilfields from costs of sales provides for an adjusted cost of sales of $1,545,305 for fiscal 2013 or 26.1% of gross revenues compared to $1,326,599 in fiscal 2012 or 23.6% of gross revenues.

- During the fiscal year Wavefront implemented a field incentive and commission program designed at enhancing sales. Total field incentive compensation costs during the year amounted to $168,662 or 7.6% of total costs of sales. Management believes that such variable pay has lead to increases in Powerwave revenues particularly in well stimulations and in future international EOR revenue.

The next largest component of costs of sales relates to costs associated with international Powerwave EOR projects at $293,358 (or 13.2% of total costs of sales). The costs of sales for international projects were however, within management expectations. For Powerwave well stimulations the costs of goods sold amounted to 24.4% of total costs of sales.

Gross Profit

Gross profits were $3,690,554 (or 62.4% of revenues) compared to $4,377,706 (or 77.7% of revenues) for the comparative reporting period. Adding back the South Rodney impairment write-down of $674,091, the adjusted gross margin for the current fiscal year would amount to $4,364,646 or 73.8% or revenues. Comparatively eliminating the gain of $72,304 on the sale of the Rogers County oilfield relates assets and liabilities, the adjusted gross margin for the comparative fiscal year would amount to $4,305,402 or 76.4% of gross revenues.

The Powerwave performance drilling product line is being disclosed as it is a new, pre-commercial, product line within the Powerwave product group.

The following table sets out the gross profit margins by cash generating unit for fiscal 2013:

	Powerwave	Performance Drilling	Primawave	Tubing pumps & bailers	Oil & Gas Properties	Total
Revenues	$ 4,478,322	$ 150,327	$ 117,820	$ 1,033,551	$ 129,930	$ 5,909,950
Costs of sales	911,479	24,889	40,583	568,354	674,091	2,219,396
	$ 3,566,843	$ 125,438	$ 77,237	$ 465,197	-$ 544,161	$ 3,690,554
Gross profit margin (note 1)	79.6%	83.4%	65.6%	45.0%	-418.8%	62.4%

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

The following table sets out the gross profit margins by cash generating unit for the comparative period for fiscal 2012:

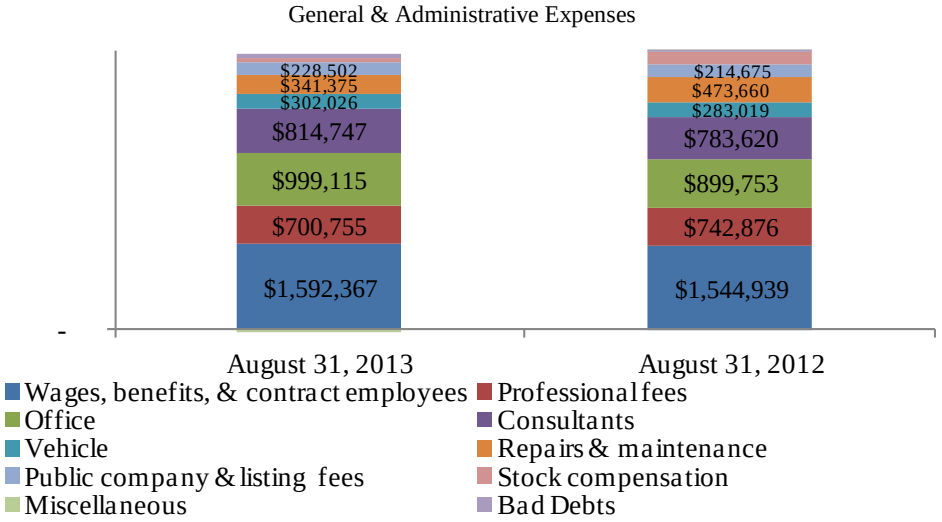
	Powerwave	Performance Drilling	Primawave	Tubing pumps & bailers	Oil & Gas Properties	Total
Revenues	$ 4,022,952	$ -	$ 243,790	$ 1,157,018	$ 208,241	$ 5,632,001
Direct costs	679,917	-	22,490	565,984	(14,096)	1,254,295
	$ 3,343,035	$ -	$ 221,300	$ 591,034	$ 222,337	$ 4,377,706
Gross profit margin (note 1)	83.1%		90.8%	51.1%	106.8%	77.7%

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

Other Expenses

Other expenses for the year ended August 31, 2013, amounted to $8,560,360, compared to $9,179,527 in 2012. The decrease in these expenses of $619,167 was principally a result of the following changes:

i) The following chart provides the principal comparative details for the general and administrative expenses:



General and administrative expenses decreased by $43,347 and relate to the following:

- Increases of offices fees of $99,362 to $999,115 relate to renting of an additional office / warehouse in Lloydminster, Alberta while leasehold renovations are being completed, and increased costs related to the Company health and safety programs. The maintenance of high health and safety programs is a requirement to work in oilfields in Canada and the USA. During fiscal 2013, Wavefront received a Certificate of Recognition ("COR") for workplace safety.

- Increased wage and employee benefits of $47,428 to $1,592,367 relate to variances in allocations amongst other functional expense categories (i.e., costs of sales, sales and marketing, or research and development expenses) or were allocated and capitalized in relation to building Powerwave tools.

- Increases in bad debt expense of $90,787 to $98,304 related to certain clients declaring bankruptcy.

- Decreases in stock compensation expenses of $135,065 to $92,122 related to a lower number of incentive stock options being expensed and low weighted average fair value valuations per award.

- Deceases in repairs and maintenance expenses of $132,285 to $341,375 related to the elimination of Rogers County oilfield maintenance.

- Decreases in professional fees of $42,121 to $700,755 pertaining to decreases in patent agent fees, human resource recruitment fees, shareholder strategies, and non-audit consulting fees related to adopting IFRS. Offsetting these decreases were increases in non-audit fees related to international tax planning, and litigation from the comparative year where the Company was a complainant.

ii) An increase in "amortization, depreciation, and depletion" expenses of $408,896 to $1,776,384 (2012 - $1,367,488) relates to an increased number of Powerwave tools that are subject to amortization, and newly developed Powerwave tools (i.e., Neptune Valves and Performance Drilling) amortized at 100%. In addition, the increase in amortization is a result of the amortization of certain acquired patents.

iii) Selling and marketing expense decreased by $756,717 to $1,268,459 (2012 - $2,025,176) as the prior fiscal year included sales and marketing investments in international Powerwave EOR projects that were not required in the current period. Further, current period sales and marketing expenses relate more to near term Powerwave well stimulation revenues which are not as intensive.

iv) A decrease of $227,999 in "research and development" expenses to $365,736 (2012 - $593,735) related to the development of two up-hole Powerwave tools and work with a Powerwave client to prove out the efficacy of the affects of Powerwave on production and estimated ultimate recovery in the prior year. Research and development expenses in the current year were limited to Powerwave performance drilling, the continuation of design works on the Powerwave surface pulsing tool as well as some Powerwave tool modifications on exiting designs.

The focus on Powerwave tool development is to provide the Company with continued competitive advances, and expand the environments in which Powerwave can be delivered. For example, it is believed that a surface pulsing tool will assist in potential Powerwave acceptance in mature field revitalization and rigless well stimulation as, amongst other things: (a) the cost to install a Powerwave system will be greatly reduced; (b) clients have a pre-disposition to rent surface-based tools and capitalize downhole tools, (c) ease of serviceability; and, (d) observation of tool functionality. It is believed that the Company's investment in tool research and development will assist in future revenue growth.

Net Finance Section of Income

Interest income under IFRS is stated separately in the financing section of the condensed consolidated statement of loss and comprehensive loss under financing income. Interest earned for the reporting period decreased to $122,449 compared to $192,611 for the comparative period. The decrease of $70,162 relates to lower principal balances as cash on hand was used for the acquisition of technologies from Vortech, the building of tools for all product lines, and the funding of operations.

Accretion expense totalling $1,288 (2012 - $4,129), foreign exchange gain totalling $8,888 (2012, a loss of $30,843) and interest expenses totalling $5,080 (2012 - $4,549) are reported as a "financing costs" under IFRS.

Operating Cash Flows

The following table sets out the cash used in operations for the fiscal years ended August 31, 2013 and 2012:

	As at August 31, 2013	As at August 31, 2012
Net loss and comprehensive loss	$ (4,668,340)	$ (4,649,142)
Items not affecting cash		
Amortization, depreciation, depletion and accretion	1,777,672	1,373,378
Stock based compensation	109,138	524,000
Write-down (gain) of property, plant and equipment	674,091	(72,304)
Write-down of intangble assets	18,627	-
Gain (loss) on disposal of property, plant and equipment	(64,361)	(97,593)
Impact of foreign translation	(16,339)	(411)
Funds from (used in) operations	(2,169,512)	(2,922,072)
Net changes in non-cash working capital items	(598,399)	(317,383)
Cash used in operating activities	$ (2,767,911)	$ (3,239,455)

Net Loss and Comprehensive Loss, and Loss Per Share

The basic and diluted net loss for the year ended August 31, 2013 decreased by $96,106 to $4,668,340 ($0.056 per share), compared to $4,649,142 ($0.056 per share) in 2012.

Earnings before interest tax, depreciation and amortization ("EBITDA")

The following table sets out the Company's EBITDA loss and EBITDA loss per share:

	As at August 31, 2013	As at August 31, 2012
Net loss and comprehensive loss	$ (4,668,340)	$ (4,649,142)
Items not affecting cash		
Amortization, depreciation, depletion and accretion	1,777,672	1,373,378
Interest and tax expense	8,263	5,643
EBITDA	$ (2,882,405)	$ (3,270,121)
EBITDA loss per share	$ (0.035)	$ (0.039)

note 1: EBITDA is calculated by adding back all interest, tax, depreciation and amortization to net loss, and is further discussed in Non-IFRS Measures

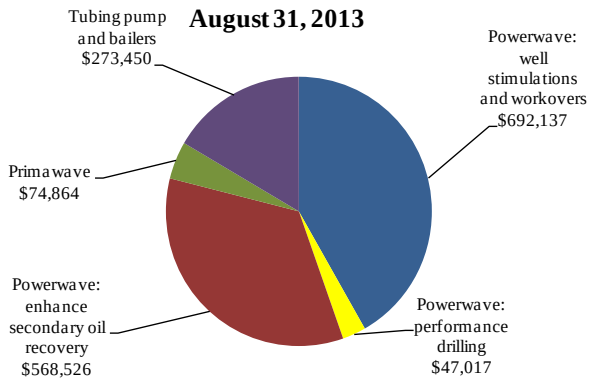
Adding back the one time impairment write-down associated with the South Rodney of $674,091 and the write-down of the Vortech trade name of $18,627, the EBITDA loss is $2,189,687 or $0.026 per share. Comparatively removing the gain from the sale of Rogers County oilfield related assets and liabilities of $97,593 and the recorded gain of $72,304 related to the required IFRS adjustment in the calculation and recorded value of the decommissioning liability related to Rogers County, the EBITDA loss for 2012 is $3,440,018 or $0.042 per share.

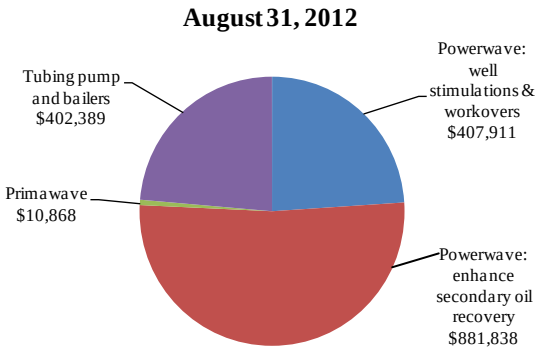
FOURTH QUARTER RESULTS FOR THREE MONTHS ENDED AUGUST 31, 2013

For the three months ended August 31, 2013, Wavefront continued to focus on the commercialization of Powerwave, its core strategic value proposition.

Revenues

Revenues for the three months ended August 31, 2013 were $1,693,856 a decrease of $35,178 over the comparative period in 2012 that recognized revenues of $1,729,034. Core revenues related to the technology for the three months ended August 31, 2013 totalled $1,655,994 a decrease of $47,012 from core revenues of $1,703,006 for the comparative period. The changes in product line mix are characterized in the pie charts below and are related to the aforementioned realignment of the Company's marketing focus.





Revenue attributed to Powerwave product lines for the three months ended August 31, 2013 were $1,307,680, an increase of $17,931 over revenues in the comparative period of $1,289,749. For the three months ended August 31, 2013, the total revenue of long-term Powerwave EOR projects totalled $568,526, a decrease of $313,312, compared to $881,838 in the comparative period. Of the decrease in long-term Powerwave EOR revenues, the majority principally comes from the recognition of comparative quarter (fourth quarter 2012) EOR installation revenues of $176,235 related to month-to-month contracts.

For the three months ended August 31, 2013 Powerwave revenues related to well stimulations totalled $692,137, an increase of $284,226, compared to $407,911 in the comparative period. Powerwave revenues related to performance drilling totalled $47,017 (2012 - $nil).

For the three months ended August 31, 2013, Primawave revenues totalled $74,864 (2012 - $10,868) for the reporting period.

For the three months ended August 31, 2013 revenues from the tubing pumps and bailer product line totalled $273,450, a decrease of $128,939, compared to $402,389 in the comparative period.

During the three months ended August 31, 2013, the Company also recognized production and operator revenues of $37,862 (2012 - $26,028).

Geographically, $850,553 (2012 – $1,152,807) in revenue for the three months ended August 31, 2013 was generated in Canada, $462,972 (2012 - $549,820) from the United States, and $380,331 (2012 - $26,372) internationally. The geographic revenues are more specifically described as follows:

> **Canada**. Gross revenues for the three months ended August 31, 2013 in our Canadian operation decreased by $302,254 to $850,553 in fiscal 2013. Powerwave EOR applications revenues totalled $335,460 (2012 - $690,566); Powerwave well stimulation revenues in Canada totalled $199,949 (2012 - $31,409); Powerwave performance drilling totalled $11,801 (2012 - $nil); Primawave revenues totalled $nil (2012 - $2,450); tubing pump and bailer revenues totalled $273,450 (2012 - $402,389); and oil production revenue totalled $29,893 (2012 - $25,993). In the comparative quarter (fourth quarter 2012) EOR installation revenues of $176,235

related to month-to-month contracts were fully recognized in the period that they incurred thus having an effect of an outlier boost in EOR revenues in Canada.

United States. Gross revenues for the three months ended August 31, 2013 in our US operation decreased by $86,848 to $462,972 (2012 - $549,855). Powerwave EOR applications revenues totalled $94,629 (2012 - $191,272); Powerwave well stimulation revenues totalled $257,591 (2102 - $352,080); Performance drilling revenues totalled $35,216 (2012 - $nil); Primawave revenues totalled $67,567 (2012 - $6,468); and oil production revenue totalled $7,969 (2012 - $35).

International: Gross revenues for the three months ended August 31, 2013 outside our Canadian and US operation totalled $380,331 (2012 - $26,372). Powerwave EOR applications revenues totalled $138,437 (2012 - $nil); Powerwave well stimulation revenues totalled $234,597 (2012 - $24,422); and Primawave revenues totalled $7,297 (2012 - $1,950).

Costs of Sales

Costs of sales for the three month period ended August 31, 2013 were $1,325,358 or 78.2% of revenues (2012 - $249,318 or 14.4% of revenues).

The increase in costs of sales or $1,076,040 related to the following:

- During the fourth quarter, Wavefront classified the South Rodney oilfield assets and liabilities, inclusive of the decommissioning obligation, as held for sale. In classifying South Rodney oilfield as held for sale, the Company was required to assess the value it would receive less selling costs, and determined a value of $nil as fair value. With attributing a fair value of $nil, Wavefront recorded a write-down of $674,091 that is attributed to costs of sales. In the comparative year ended August 31, 2012, Wavefront sold its proportionate interest in its Rogers County oilfield assets and liabilities. As the Rogers County oilfield assets were fully impaired as a result of prior impairments, the Company recorded a gain of $72,304 that is recorded to costs of sales. Eliminating the impairment loss resulting from the South Rodney classification as held for sale from costs of sales provide for $651,267 or 38.4% of gross revenues.

- During the fiscal year Wavefront implemented both a field incentive and commission program designed at enhancing sales. Total field incentive compensation costs during the year amounted to $69,516 or 7.6% of total costs of sales. Management believes that such variable pay has lead to increases in Powerwave revenues particularly in well stimulations and in future international EOR revenue.

Gross Profit

Gross profits for the three month period ended August 31, 2013 were $368,498 or 21.8% of revenues (2012 - $1,479,716 or 85.6% of revenues). Adding back the South Rodney impairment write-down of $674,091, the gross margin for the current quarter would amount to $1,042,589 or 61.6% of revenues.

The following table sets out the gross profit margins by cash generating unit for the three months ended August 31, 2013:

	Powerwave	Performance Drilling	Primawave	Tubing pumps & bailers	Oil & Gas Properties	Total
Revenues	$ 1,260,663	$ 47,017	$ 74,864	$ 273,450	$ 37,862	$ 1,693,856
Costs of sales	478,114	23,203	26,412	123,538	674,091	1,325,358
	$ 782,549	$ 23,814	$ 48,452	$ 149,912	-$ 636,229	$ 368,498
Gross profit margin (note 1)	62.1%	50.6%	64.7%	54.8%	-1680.4%	21.8%

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

The following table sets out the gross profit margins by product line for the comparative period of the three months ended August 31, 2012:

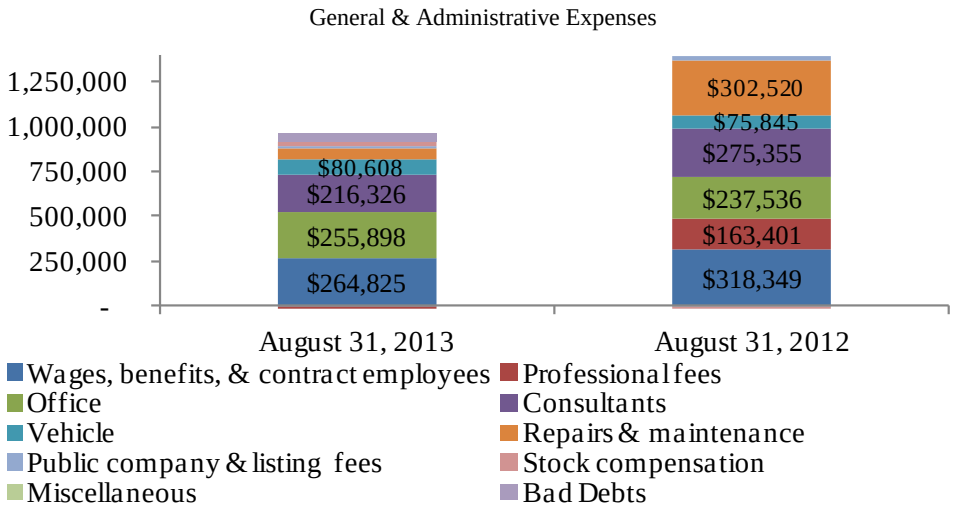
	Powerwave	Performance Drilling	Primawave	Tubing pumps & bailers	Oil & Gas Properties	Total
Revenues	$ 1,289,749	$ -	$ 10,868	$ 402,389	$ 26,028	$ 1,729,034
Direct costs	153,588	-	7,795	177,512	(89,576)	249,319
	$ 1,136,161	$ -	$ 3,073	$ 224,877	$ 115,604	$ 1,479,715
Gross profit margin (note 1)	88.1%		28.3%	55.9%	444.2%	85.6%

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

Other Expenses

Other expenses for the three months ended August 31, 2013 amounted to $1,812,775, compared to $2,361,551 in 2012. The decrease in these expenses of $548,776 was principally a result of the following changes:

i) The following chart provides the principal comparative details for the expenses by nature within general and administrative expenses:



General and administrative expenses decreased by $464,533 and relate principally to the following:

- Increases in bad debt expenses of $50,408 related to certain clients declaring bankruptcy.
- Decreases in professional fees of $187,080 pertaining to decreases in patent agent fees, human resource recruitment fees, shareholder strategies, and non-audit consulting fees related to adopting IFRS. Offsetting these decreases were increases in non-audit fees related to international tax planning, and litigation from the comparative year where the Company was a complainant.
- Decreases in consulting fees of $59,029 to $216,326 relate to the elimination of external investor relations consultants in favor of hiring internal staff.
- Decreases in wage & employee benefits of $53,524 to $264,825 relate to variances in allocations amongst other functional expense categories (i.e., costs of sales, sales and marketing, or research and development expenses) or were allocated and capitalized in relation to building Powerwave tools.
- Decreases in stock compensation expenses of $50,474 to $26,716 related lower number of incentive stock options being expensed and low weighted average fair value valuations per award.

ii) An increase of $103,616 in "amortization, depreciation, depletion and accretion" expenses to $500,394 (2012 - $396,778), relates to an increased number of Powerwave tools that are subject to amortization, and newly developed Powerwave tools (i.e., Neptune Valves and Performance Drilling) amortized at 100%.

iii) A decrease of $98,105 to $44,318 (2012 - $142,423) in research and development expense related to the development of Powerwave surface pulsing tools. Research and development expense in the current quarter was limited to Performance drilling tools, the continuation of design works on the Powerwave surface pulsing tool and some Powerwave tool modifications to existing designs.

iv) A decrease in selling and marketing expense by $89,754 to $335,012 (2012 - $424,766) as the comparative quarter included sales and marketing investments being made related to international Powerwave EOR projects that were not required in the current period. Further current period sales and marketing expenses relate more to near term, Powerwave well stimulation revenues, which are not as intensive.

Interest earned for the three months ended August 31, 2013 decreased to $27,340 compared to $35,460 for the comparative period.

Operating Cash Flows

The following table sets out the cash used in operations for the quarter ended August 31, 2013 and 2012:

	Three months ended August 31, 2013	Three months ended August 31, 2012
Net loss and comprehensive loss	$ (1,378,360)	$ (892,104)
Items not affecting cash		
Amortization, depreciation, depletion and accretion	500,722	430,656
Stock based compensation	34,045	59,686
Write-down (gain) of property, plant and equipment	674,091	(72,304)
Write-down of intangible assets	18,627	-
Gain (loss) on disposal of property, plant and equipment	(46,504)	(102,426)
Impact of foreign translation	(6,083)	(411)
Funds from (used in) operations	(203,462)	(576,903)
Net changes in non-cash working capital items	105,205	(197,289)
Cash used in operating activities	$ (98,257)	$ (774,192)

Cash used in operating activities declined by $313,032 from the third quarter ended May 31, 2013 or $411,289. The Company continues a trend of reducing cash used in operating activities as a result of the leverage of its technology across it product platforms.

Net Loss and Comprehensive Loss, and Loss Per Share

The basic and diluted net loss for the quarter ended August 31, 2013 increased by $486,666 to $1,378,359 ($0.016 per share), compared to $892,104 ($0.011 per share) in 2012. The increase in losses principally relates to the write-down of the South Rodney oilfield related assets of $674,091.

Earnings before interest tax, depreciation and amortization ("EBITDA")

The following table sets out the Company's EBITDA loss and EBITDA loss per share:

	Three months ended August 31, 2013	Three months ended August 31, 2012
Net loss and comprehensive loss	$ (1,378,359)	$ (892,104)
Items not affecting cash		
Amortization, depreciation, depletion and accretion	500,722	426,424
Interest and tax expense	629	(154)
EBITDA	$ (877,008)	$ (465,834)
EBITDA loss per share	$ (0.011)	$ (0.006)

note 1: EBITDA is calculated by adding back all interest, tax, depreciation and amortization to net loss, and is further discussed in Non-IFRS Measures

Adding back the one time impairment write-down associated with the South Rodney of $674,091 and the write-down of the Vortech trade name of $18,627, the EBITDA loss for the fourth quarter is $184,651 or $0.002 per share. Comparatively removing the recorded gain of $72,304 related to the required IFRS adjustment in the calculation and recorded value of the decommissioning liability related to Rogers County, the EBITDA loss for the fourth quarter 2012 is $538,138 or $0.006 per share.

SUMMARY OF QUARTERLY RESULTS AND LOSS PER SHARE

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

	4th Qtr Aug 31 '13	3rd Qtr May 31 '13	2nd Qtr Feb 28 '13	1st Qtr Nov 30'12	Annual
Fiscal 2013					
Revenue	$ 1,693,856	$ 1,659,021	$ 1,027,488	$ 1,529,585	$ 5,909,950
Net Loss and Comprehensive Loss	$ (1,378,359)	$ (956,590)	$ (1,330,022)	$ (1,005,061)	$ (4,670,032)
Basic and diluted loss per share	$ (0.017)	$ (0.012)	$ (0.016)	$ (0.012)	$ (0.056)
Common shares outstanding					
Weighted average shares outstanding	82,926,495	82,956,240	82,956,240	82,956,240	82,926,495

	4th Qtr Aug 31 '12	3rd Qtr May 31 '12	2nd Qtr Feb 28 '12	1st Qtr Nov 30'11	Annual
Fiscal 2012					
Revenue	$ 1,729,034	$ 1,396,410	$ 1,395,002	$ 1,111,555	$ 5,632,001
Net Loss and Comprehensive Loss	$ (892,104)	$ (1,533,505)	$ (1,232,371)	$ (991,160)	$ (4,649,140)
Basic and diluted loss per share	$ (0.011)	$ (0.018)	$ (0.010)	$ 0.018	$ (0.056)
Common shares outstanding					
Weighted average shares outstanding	82,926,495	82,916,508	82,847,871	82,847,871	82,926,495

note 1: This Financial data has been prepared in accordance with IFRS
note 2: All amounts in Canadian dollars except share data

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total current assets decreased by $3,922,054 to $13,751,613 from the prior year end. Of the net decrease, $4,125,553 relates to a reduction of cash resource, of which $1,257,617 was used for the acquisition of additional Powerwave tools and equipment, $172,190 relates to the acquisition of intellectual property licences and patents, and $2,767,911 was used to fund operations.

The changes in accounts receivable reflect timing differences in incurring installation expenses and collecting receivables and are directly related to increased Powerwave contracts and our financial accounting policy of recognizing Powerwave revenues and direct costs equally over the term of the contracts.

Non-current assets included a decrease of $ 715,205 in property, plant and equipment, of which $702,426 relates to the impairment write-down of the South Rodney oilfield. Non-current assets also included a decrease of $343,892 in intangible assets to $3,947,578 that primarily relates to the amortization.

Oilfield Property, Plant and Equipment

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

Rogers County Oilfield

In the prior year, the Company entered into an "Asset Purchase Agreement", and "Quit Claim Assignment" for the sale of the Rogers County oilfield mineral rights and related assets ("Rogers County Assets"). The fundamental terms of the Agreements were that Wavefront sold all of the Rogers County assets to the arms length Purchaser in exchange for cash consideration of $9,863 (US $10,000); in consideration of the payment of $162,740 (US $165,000), the Purchaser assumed all responsibility for plugging, abandonment, and environmental remediation efforts and agreed to indemnify Wavefront from any liability that may arise from continued operations or any plugging, remediation, and abandonment activities.

As the Company previously realized a non-cash write-down of the carrying value of the Rogers County Assets, the Company recognized a gain on the sale of the Rogers County Assets of $72,304 and a gain on the elimination of the related decommissioning obligations of $97,593.

Rodney South Oilfield

As at August 31, 2013, the Company's board of directors approved the disposition of the South Rodney related assets and liabilities as its oilfields were not strategic to future operations. The Company is committed to a plan of sale, and believes that it is highly probable that the sale will close within the near future. As such Wavefront classified the South Rodney oilfield assets with a recorded net book value of $702,426, and liabilities, inclusive of the decommissioning obligation with a record net book value of $38,345, as held for sale. With the change in classification, the Company attributed a fair value of $nil to the South Rodney oilfield related assets and liabilities, and recorded a write-down of $674,091 that is attributed to costs of sales.

Liabilities

Total liabilities decreased by $402,168 from the prior year-end to $1,281,372 from $1,683,540. Accounts payable and accrued liabilities decreased by $365,111 to $1,281,372. Of the current liabilities, $622,511 relates to trade accounts payable, and $658,862 relates to accruals related to the design and manufacturing of Powerwave tool inventory, sales and marketing liabilities and other various corporate services.

Liquidity

The following table presents working capital information as at August 31, 2013 and 2012:

	As at August 31, 2013	As at August 31, 2012	Change
Current assets	13,751,612	17,673,667	(3,922,055)
Current liabilities	1,281,373	1,646,483	(365,110)
Working capital[note 1)]	12,470,239	16,027,184	(3,556,945)

note 1: Working capital is calculated by subtracting current liabilities from current assets, and is further discussed in Non-IFRS Measures

In a prior year, Wavefront issued a Letter of Credit for $260,000 as security for the Company's new Edmonton office and warehouse lease. The value of the Letter of Credit declines each year by $65,000 to year four (i.e., 2014) and then is terminated in year five (i.e., 2015). As security against the Letter of Credit, the Company pledged a Guaranteed Investment Certificate as security. As at August 31, 2013 the balance of the Letter of Credit was $190,000. The balance of the Company's capital is not subject to any external restrictions.

Wavefront believes that its working capital position will continue to fluctuate and our Company's cash flow break-even will also be affected by the product mixes between tubing pumps and bailers, Powerwave performance drilling (new product line); well stimulation; and, mature field revitalization as well as Primawave applications, which have changed with the Company's strategic realignment in marketing focus.

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

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

Financings

In the prior fiscal year ended August 31, 2012, 111,666 incentive stock options were exercised at prices ranging from $0.54 to $0.97 for gross proceeds of $64,799. Of the 111,666 incentive stock options exercised during the year ended August 31, 2012, 10,000 incentive stock options were exercised by a director of the Company at a price of $0.97 for gross proceeds of $9,700.

Capital Resources

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

- To continue to build an inventory tool systems for all product lines for deployment to external clients;
- To support the marketing efforts with, and to train all licensees on, the implementation of our Company's core technologies; and,
- To design and build additional tool systems to allow Wavefront to expand the applications of its core technologies.

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

As of December 17, 2013, there are no amounts owed in respect of the lines of credit and Wavefront had $10,093,290 of cash on hand. Of the cash on hand, Wavefront has $8,880,000 in Term Deposits on deposit with TD Canada Trust, a Canadian chartered bank. The investments in Term Deposits range from ninety days or less, maturing on December 30, 2013 and January 15, 2014, with a guaranteed interest rate of 1.05%. Credit risk on the Term Deposits investment is linked to the insurance coverage limits as prescribed by the Canadian Deposit Insurance Corporation and that of TD Canada Trust.

CONTRACTUAL COMMITMENTS

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

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating lease obligations	$ 2,334,459	$ 541,722	$ 775,823	$ 524,888	$ 492,026

In a prior year, the Company entered into a new office and warehouse space for its Edmonton, Alberta facilities. The office and warehouse lease had a commencement date of February 1, 2011 and a ten (10) year term expiring on January 31, 2021. The Company has the option for early termination of the office and warehouse lease after year five (5) for a one-time payment of $100,000. The future commitment in base rental payments is $1,478,806 over the balance of the term.

In addition, in a prior year, the Company entered into a new sales office lease for Calgary, Alberta. The new facilities are to create a greater presence for our Company in Calgary. The office lease has a commencement date of June 15, 2011 and a five (5) year term expiring on June 14, 2016. The balance of the future commitment in base rental payments is $128,952.

As well, in the current fiscal year, the Company entered into a new office and warehouse lease in Lloydminster, Alberta. The new facilities were required as our other facilities lease expired and to support our growing stimulation and workover business. The office lease has a commencement date of July 1, 2012 and a five (5) year term expiring on June 30, 2017. The balance of the future commitment in base rental payments is $575,000.

The Company is of the opinion that its working capital position of $12,479,239 as at August 31, 2013 is sufficient to cover its current commitments and operations for the forthcoming fiscal year. It is also anticipated that internally generated cash from operations will continue to increase as our Company's core Technologies continue to be commercialized and inducements and incentives decrease. As such Wavefront does not, currently, foresee any need for equity or debt financing, although it may consider future financings based on expected need to finance Powerwave tools, working capital, or acquisitions. As our Company moves forward it will also consider debt financing of its Powerwave tools to better match the assets' life and revenue stream with the financing sources. Any such financing will be dependent on Wavefront's credit rating, quality of licensing contracts, etc.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Expense transaction

The Company had entered into a Consulting Agreement with a director of the Company to provide certain services for a monthly fee of US $5,000 per month. The monetary transaction is measured at the exchange amount. During the year, the Company recorded $60,669 (August 31, 2012 - $nil) in consulting expense, with $nil (August 31, 2012 - $nil) included in accounts payable.

Revenue transaction

During the comparative year ended August 31, 2012, the Company 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 was also a director of the Company. There is a 100% discount to the Powerwave licensing fee for the first four months of the agreement. For the year ended August 31, 2012, the Company recorded $93,870 in revenue related to Powerwave tool installation and licensing fees, with $3,150 included in trade and other receivables.

During the comparative year ended August 31, 2012, the Company also performed two Powerwave stimulations with a company whose executive officer was also a director of the Company. For the year ended August 31, 2012, the Company recorded $3,171 in revenue related to Powerwave stimulations, with $nil included in trade and other receivables.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

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

Dependence on Management - The Company is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company.

Ability to Manage Growth - Expansion into other geographical markets and targeted growth in the Company's business has placed, and is likely to continue to place, significant strains on the Company's administrative and operational resources and increased demands on its management, internal systems, procedures and controls. If Wavefront experiences rapid acceptance of its Technologies, the need to manage such growth will add to the demands on Wavefront's management, resources, systems, procedures and controls. There can be no assurance that Wavefront's administrative infrastructure, systems, procedures and controls will be adequate to support Wavefront's operations or that Wavefront's officers and personnel will be able to manage any significant expansion of operations. If Wavefront is unable to manage growth effectively, Wavefront's business, operating results and financial condition will be materially adversely affected.

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

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

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

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

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

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

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

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

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

Volatile Commodity Markets - The marketability of the Company's products and services could be affected, directly or indirectly, by significant declines in oil prices.

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

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

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

ENVIRONMENTAL RISK

The Company is engaged in the enhancing oil and gas production and groundwater remediation. The Company is committed to ensuring that all stakeholders are aware of both their responsibility for safety matters and protection of the environment and how integral those matters are to Wavefront's business. These risks are managed by executing policies and standards that are designed to comply with or exceed government regulations and industry best

practices. In addition, Wavefront maintains a system, in respect of our operations, that identifies, assesses and controls safety, security and environmental risk and requires regular reporting to Senior Management and the Board of Directors. The Safety, Health and Environmental Affairs Operational Committee of the Company provides recommended environmental policies for approval by our Board and oversees compliance with government laws and regulations. Monitoring and reporting programs for environmental, health and safety performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. Contingency plans are in place for a timely response to an environmental event.

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

There are no known environmental trends, and the exposure to future environmental obligations is currently limited to the asset retirement obligations associated with the Rodney South oilfield as disclosed in Note 12 to the audited financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates are disclosed in Note 3, "Significant Accounting Policies", of the Consolidated Financial Statements for the year ended August 31, 2013.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies are disclosed in Note 4, "Changes In Accounting Policies And New Standards Issued But Not Yet Adopted", of the Consolidated Financial Statements for the year ended August 31, 2013.

FINANCIAL AND OTHER INSTRUMENTS

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

Credit Risk

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

Foreign currency risk

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

Fair value of financial instruments

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

SUPPLEMENTARY INFORMATION

SELECTED ANNUAL INFORMATION

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

		2013		2012		2011
Revenues	$	5,909,950	$	5,632,001	$	3,991,624
Net loss		(4,668,340)		(4,649,142)		(4,475,214)
Basic and diluted loss per share	$	(0.056)	$	(0.056)	$	(0.054)
Weighted average number of common shares outstanding		82,956,240		82,926,495		82,837,923
Working capital	$	12,470,241	$	16,027,184	$	25,027,561
Total assets		24,493,495		29,454,865		33,254,507
Total long term financial liabilities		-		37,057		378,541
Total liabilities	$	1,281,372	$	1,683,540	$	1,422,839
Shares outstanding at August 31		82,956,240		82,956,240		82,844,574

(1) In Canadian dollars, except share data

DESCRIPTION OF SHARE CAPITAL

As at August 31, 2013, Wavefront's share capital consisted of the following:

Common shares		
Authorized:		unlimited
Issued and outstanding:		
Free trading		82,956,240
Convertible into common shares		
Incentive stock options	2,650,500	
		2,650,500
Fully diluted share capital:		85,606,740

As at December 17, 2013, Wavefront's number of issued and outstanding shares is 82,956,240.

Market for Securities

The common shares of Wavefront Technology Solutions Inc. are listed on the TSX Venture Exchange under the symbol of WEE. The Company's shares also trade on International OTCQX under the symbol WFTSF.

Options granted during the period

The Company maintains a Stock Option Plan under which it may grant options for up to 10,771,558 shares of the Company at an exercise price equal to or greater than the market price of the Company's stock at the date of grant. All stock options awarded are exercisable for a period of five years and vest in equal tranches at three (3) month intervals over a period of eighteen (18) months.

Date of Grant	Number of Shares	Optionee	Exercise Price		Expiry Date
November 13, 2012	75,000	Director	$	0.41	November 13, 2017
February 22, 2013	310,000	Directors	$	0.38	February 22, 2018
February 22, 2013	365,000	Employee & consultants	$	0.38	February 22, 2018
	750,000				

Options outstanding

As at August 31, 2013

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share $
February 22, 2013	February 22, 2018	650,000	0.38
November 12, 2013	November 12, 2018	75,000	0.41
July 8, 2009	July 8, 2014	5,000	0.59
January 5, 2009	January 5, 2014	450,000	0.59
September 28, 2011	September 28, 2016	55,000	0.66
September 4, 2009	September 4, 2014	245,000	0.72
December 20, 2011	December 20, 2016	75,000	0.73
September 14, 2010	September 14, 2015	530,000	0.97
July 14, 2010	July 14, 2015	30,000	1.45
		2,115,000	

CONTROLS AND PROCEDURES

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

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

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

The Company's certifying officers of the Annual Form are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in that certificate. However, the reader should be aware that inherent limitations on the ability of the certifying officers to design and implement, on a cost effective basis, DC&P and ICFR for the Company as defined in NI 52-109, may result in additional risks 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 or current 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". Forward-looking information can be identified by the use of the future tense or other forward-looking words such as "believe", "expect", "anticipate", "intend", "should", "may", "could", "would", objective" "forecast", "position", "intend" or the negative of those terms or other variations of them or comparable terminology. Examples of such forward-looking information in this document include, but are not limited to statements with respect to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions that may prove to be incorrect:

- *under the heading "Outlook" the outlook for Wavefront's business, its plans to capitalize on new business, expectations regarding the new business model and discussions of how goals will be achieved;*

- *under the heading "Overall Results from Operations", Wavefront's expectations regarding the impact of a realignment of focus on revenue, expectations for future international revenues, expectations once Powerwave is fully commercialized, the belief that Powerwave well stimulation revenues will grow in 2014, discussions of goals relating to expansion of client base, the expectation that the commissions program will lead to future international EOR revenue (which is also discussed under the fourth quarter results heading), discussions of Wavefront's goals, including expansion of technology of ferings and the focus on surface tool development and hopes for future commercialization;*

- *under the heading "Liquidity and Capital Resources", Wavefront's beliefs about its working capital position and cash flow break even, its expectations about cash inflows and investment given positive Powerwave results and its use of cash; and*

- *under the heading "Contractual Commitments", Wavefront's beliefs about working capital sufficiency and potential sources of financing.*

We provide this forward-looking information for Wavefront's business in order to describe the management expectations and targets by which Wavefront measures its success and to assist Wavefront shareholders in understanding Wavefront's financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes. ***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. Accordingly, readers should not place undue reliance on forward-looking information****. 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 this Management Discussion and Analysis. In determining Wavefront's forward-looking statements, Wavefront considers material factors including assumptions and expectations contained in: the "Technology Adoption" section, as well*

as expectations regarding customer demand and adoption rates for Wavefront's products; commodity prices and interest and foreign exchange rates; and the availability and cost of inputs, labour and services, patent, technology and competitive risk. These material risk factors and material assumptions are not intended to represent a complete list of the factors that could affect Wavefront; please see other factors that are described in further detail in Wavefront's continuous disclosure filings, from time to time, and available on SEDAR at www.sedar.com.

The forward-looking statements contained herein represent Wavefront's expectations at December 17, 2013, 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).