Wavefront Technology Solutions Inc.

Annual Report

For the fiscal

year ended

August 31, 2016

The following discussion and analysis of financial results should be read in conjunction with the audited financial statements and the accompanying notes for the years ended August 31, 2016 and 2015, and is based on information available to December 20, 2016. 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, 2016 to August 31, 2015. 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 International Financial Reporting Standard's ("IFRS") financial records (also see section titled "Controls and Procedures" page 26). The financial information presented throughout this MD&A should be read in conjunction with 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 MD&A.

Deloitte 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, to set targets and use in operating activities, and believes that these non-IFRS measures provide useful supplemental information to investors. "Working capital", "gross profit", "gross profit margin", "other technology revenues", and "EBITDA" 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;

- Other technologies revenue consists of Primawave and Performance Drilling revenues. Core revenues and Other technologies revenues are 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 being 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

As an Oil Field Service ("OFS") provider Wavefront is a leader in injection optimization methods that improve the distribution of fluids in the ground. Wavefront's core technology, marketed under the brand name, "Powerwave™", has proven to increase oil and gas production rates; decrease oil production decline rates; and, reduce chemical costs associated with well stimulation programs.

Powerwave is marketed in two primary areas to exploration and production companies ("E&P's"):

i. Well stimulation; and,

ii. Improved or Enhanced Oil Recovery ("IOR/EOR").

A well stimulation is an operation performed on a well to restore or enhance productivity or improve injection. In most instances a chemical is pumped into the well to stimulate a producing or injection interval. In other cases stimulation is used to remove scales such as calcium carbonate or barite, to rid a well of accumulated waxes on tubulars or to remove sand fill.

IOR/EOR targets stranded or bypassed oil in reservoir which is very difficult to produce due to various physical limitations. The common theme in all IOR/EOR (except acoustic or electromagnetic) projects is the injection of a fluid to mobilize bypassed oil.

OUTLOOK

The continued volatility of commodity prices has resulted in Wavefront's customers reducing both capital and operating expenditures. The impact of lower capital and operating spending at E&P companies resulted in the Company's Western Canadian and United States business units experiencing much lower activity levels during fiscal year 2016 compared to previous comparable periods. For fiscal year 2017 and more specifically in the first two quarters of fiscal 2017, the Company anticipates activity levels in these regions to remain below those achieved historically. While revenue has been adversely impacted the Company has been focused on the cost discipline including deferral of non-essential capital spending and operating expenditures.

Over the past twenty-four months Wavefront has been executing a strategy to open markets beyond North America and more specifically the Middle East. Within that strategy there were specific tasks and timelines to have Powerwave approved as a viable technology by various sovereign oil and gas operators. Though technology approvals recently granted in certain jurisdictions have heightened the Company's expectations for increasing demand for Powerwave the time frame for commercial acceptance remains unknown. While the Company remains hopeful about future revenue from the region it must also closely monitor its distributors and where necessary,

change distributors if revenue and performance expectations are not achieved. Wavefront's distributors are primarily coil tubing service companies who market Powerwave and carry-out Powerwave well stimulations.

Through Wavefront's network of local distributors Wavefront continues to execute its Powerwave well stimulation strategy in the Middle East. Subsequent to the fiscal year, in relation to marketing in the Middle East, Wavefront commenced a seven well Powerwave stimulation program in Bahrain, which has 1,730 oil and gas producing wells. Barring any unexpected events in the region or a downturn in oil prices Wavefront anticipates Phase II implementation of a Powerwave waterflood in Oman in the latter part of fiscal 2017.

Wavefront is optimistic about the opportunities for the Company's WaveAxeTM technology for Steam Assisted Gravity Drainage ("SAGD") oil production in Western Canada. WaveAxe, a derivative of the Company's Powerwave well stimulation technique employs either a gas or liquid to create dilatational perturbations that lead to a network of disturbance zones in tight, low permeability bitumen regions. The intent of the disturbance zones is to provide permeability pathways into which subsequent steam or solvent-steam injection can mobilize the hydrocarbon for production to surface. Proprietary software is used to model and program the WaveAxe treatment to achieve a targeted depth of penetration of such disturbance zones; volume of fluids required to create the disturbance zones; and total operational time. There are approximately 1,700 SAGD well pairs (injectors and producers) in the province of Alberta and successful outcomes to the WaveAxe pilot projects may bring a very large revenue generating opportunity for Wavefront.

Subsequent to the fiscal year end, and on based prior IOR/EOR project results which denoted an increase in estimated ultimate recovery or incremental oil of 3.5% over non-Powerwave production trends, Wavefront is finalizing the sale of Powerwave systems to Pan American. Wavefront has seen increased interest in waterflood optimization using Powerwave and believes this interest will evolve to further Powerwave sales in the current fiscal year.

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 and any bundling or cross use thereof, types of customers, operating segment served within the industry and similarity of segments with other OFS companies, 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, as it believes this additional information is useful supplemental information to investors with respect to the development of the business.

Wavefront's operations for fiscal year 2016 were impacted by the continued volatility of commodity prices, and its influence on E&P activities and resulting pressure for customers to reduce pricing. The current status of the energy sector combined with overall global conditions has also affected technology adoption rates, product offerings by direct and indirect competition and operating risk inherent to the energy sector.

In fiscal 2016, Wavefront's total revenue amounted to $2,735,798, a decrease of $1,724,246; whereas expenses, excluding the fiscal 2015 non-cash impairment charges, decreased by $2,529,171 or 31.3% for a net favourable impact to equity over the prior year by $804,925.

Given the current economic realities of the energy industry, throughout the fiscal year the Company has focused on reducing operating costs and managing capital expenditures to those that are necessary and/or linked to near term revenue generation. To this end the Company was able to reduce overall expenses, excluding non-cash impairment charges in the comparative year, by $2,529,171, a 146.7% increase over the reduction of revenues of $1,724,246. Of the expense reductions, $1,290,010 relates to reductions in general and administrative, and sales and marketing expenses.

Fourth quarter gross revenues (i.e., three months ended August 31, 2016) amounted to $495,116, a decrease of $198,565 from the comparative fourth quarter (i.e., three months ended August 31, 2015) revenues; whereas the Company was able to decrease expenses by $578,850, a 291.5% variance over a revenue reduction of $198,565, and providing a net favourable impact over the prior period to equity of $380,285.

Impairment

As at August 31, 2016, the Company assessed impairment indicators for the Company's cash generating units ("CGUs") and concluded that apart from prior year's impairment indicators that no indicators of impairment present.

As at August 31, 2015, the Company determined that impairment indicators existed related to the Company's market capitalization being below the carrying value of its net assets, the continued lower crude oil prices, and the weaker than expected economic performance across the Company's CGUs.

The recoverable amount of tools and equipment within the property, plant and equipment category of the Powerwave and Tubing Pump and Bailer CGUs was determined based on a fair value less costs of disposal by applying market prices for recent sales and license of similar assets that are considered Level 2 inputs. Similarly, the fair value less costs of disposal for certain leasehold improvements, computer, automotive, office and shop equipment was determined based on market prices and an external sublease valuation for similar assets that are considered Level 2 inputs. After applying the requirements under International Accounting Standards 36 ("IAS 36"), *Impairment of Assets*, no impairment loss was recognized as at August 31, 2015.

As at November 30, 2014 and February 28, 2015, the Company determined that impairment indicators existed related to the Company's market capitalization being below the carrying value of its net assets, the drop in and volatility in crude oil prices, and the changes to operating and capital budgets of E&P company budgets. Additional impairment indicators were present at February 28, 2015 in that the Company experienced weaker than expected economic performance across CGUs and implemented operation expense reduction measures and managed capital programs. The Company's most significant CGU is the Powerwave CGU, and the recoverable amounts at November 30, 2014 and February 28, 2015 were determined based on a value-in-use calculation and fair value less costs of disposal.

The recoverable amount of tools and equipment within the property, plant and equipment category of the Powerwave and Tubing Pump and Bailer CGUs was determined based on a fair value less costs of disposal by applying market prices for recent sales and licenses of similar assets that are considered Level 2 inputs. Similarly, the fair value less costs of disposal for certain leasehold improvements, computer, automotive, office and shop equipment was determined based on market prices and subleases for similar assets that are considered Level 2 inputs. During the quarters ended November 30, 2014 and February 28, 2015, the Company recognized an aggregate non-cash impairment charge of

$5,023,475, which is allocated to the assets in the Powerwave CGU consisting of $1,753,520 non-cash impairment charge for property, plant and equipment and $3,269,955 non-cash impairment charge for intangible assets. The Company determined that there was a remaining excess of $635,206 of the impairment loss and no liability has been recognized for this remaining amount.

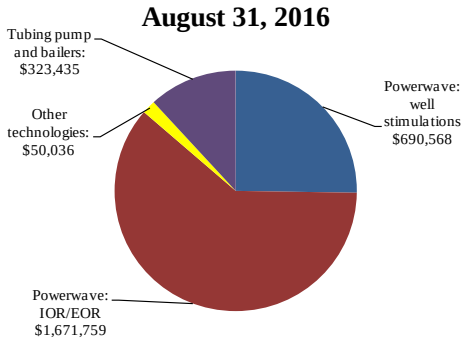
During the comparative year, for the third quarter ended May 31, 2014, the Company's market capitalization was below the carrying value of its net assets, which represents a potential impairment indicator. Management typically performed the annual goodwill impairment test during the fourth quarter; however, as the Tubing Pump and Bailers CGU financial performance was weaker than anticipated, Management concluded it was necessary to perform the impairment test at May 31, 2014. The Company completed the impairment test and recorded an impairment loss related to the Tubing Pump and Bailers CGU of $1,338,584, which is comprised of a $1,222,217 non-cash goodwill impairment charge and an $116,367 non-cash impairment charge to property, plant and equipment.

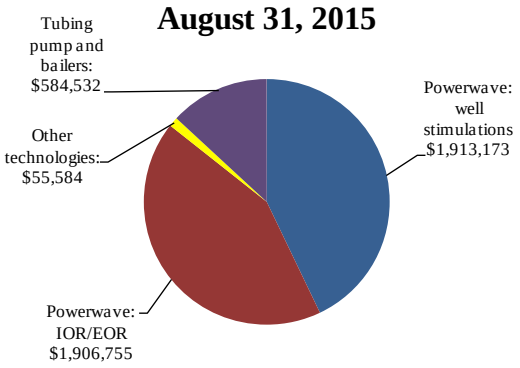
These non-cash impairment charges do not have an impact on the Company's cash flows from operating activities and will not have an impact on the CGUs' future operations. There is a significant amount of uncertainty with respect to the estimates of the recoverable amounts of the CGU's assets given the necessity of making key economic assumptions about the future. The key assumptions, variables and sensitivity of those assumptions are outlined in Note 6 to the Consolidated Financial Statements.

CONSOLIDATED RESULTS – FISCAL YEAR ENDED AUGUST 31, 2016

Revenues

Revenues for the fiscal year ended August 31, 2016 were $2,735,798, decreasing by $1,724,246 over the comparative fiscal year that recognized revenues of $4,460,044. The changes in product line mix can be characterized as follows:





Revenue attributed only to Powerwave product lines were $2,362,327, a decrease of $1,457,601 or 38.2% over revenues in the comparative period of $3,819,928. The Powerwave product line is subdivided into either well stimulation or IOR/EOR applications or revenues.

For fiscal 2016, Powerwave revenues related to well stimulations totalled $690,568, a decrease of $1,222,605 over revenues of $1,913,173 in the comparative period. The lower revenues related to a lower number of Powerwave well stimulations performed and lower prices per stimulation in Canada and the US, which is a direct result of E&P companies cutting budgets and performing fewer operations to enhance individual well performance. This was partially offset by the increase of international Powerwave well stimulation revenue by 153.3% over the comparative year, which is a result of the number of stimulations performed and the dollar value per stimulation.

For fiscal 2016 the total revenue of IOR/EOR Powerwave projects totalled $1,671,759 compared to $1,906,755 in the comparative period. Lower IOR/EOR gross revenues were principally due to lower revenues in Canada and the United States. These revenues however, were partially offset by increases in international IOR/EOR revenues in: Brazil, Colombia, and, Argentina. Despite positive results many of the IOR/EOR Powerwave projects concluded by fiscal year end, as those oil fields were impacted by lower commodity prices. Other Technology revenues, comprised of Primawave and Performance Drilling, for fiscal 2016 totalled $50,036 (2015 - $55,584).

For fiscal 2016, revenues from the tubing pumps and bailer product line totalled $323,435, a decrease of $261,097 from $584,532 in the comparative period. Tubing pumps and bailer revenues are comprised of a tool rental, delivery, and tool refurbishment fees, and were impacted by the general industry turndown.

Geographically, $528,257 (2015 – $1,464,931) in revenue was generated in Canada, $336,444 (2015 - $1,653,167) from the United States, and $1,871,097 (2015 - $1,341,946) internationally. The geographic revenues are more specifically described as follows:

Canada. Gross revenues in our Canadian operation decreased by $936,674 to $528,257 compared to $1,464,931 in fiscal 2015. The Company believes revenues were negatively impacted by a decline in heavy oil client related operations such as drilling and production optimization (well stimulation and pumping solutions) resulting from volatility in commodity prices, and the heavy to light oil price differential as these companies sought to minimize operating related expenses.

Powerwave IOR/EOR applications revenues totalled $112,192 (2015 - $598,809); Powerwave well stimulation revenues totalled $92,630 (2015 - $281,590); and tubing pump and bailer revenues totalled $323,435 (2015 - $584,532).

United States. Gross revenues in our US operation decreased by $1,316,723 to $336,444 (2015 - $1,653,167). Powerwave IOR/EOR applications revenues totalled $nil (2015 - $87,109); Powerwave well stimulation revenues totalled $287,602 (2015 - $1,510,974); and Other technologies totalled $48,842 (2015 - $55,084). The Company's focus in the United States is on Powerwave well stimulation activities primarily in Texas and California. California operations have been especially impacted by differential oil prices between heavier crude versus light crude.

International: Gross revenues outside our Canadian and US operations increased by $529,151 to $1,871,097 (2015 - $1,341,946). Powerwave IOR/EOR applications revenues totalled $1,559,567 (2015 - $1,220,837); Powerwave well stimulation revenues totalled $310,336 (2015 - $120,609); and Other technologies totalled $1,194 (2015 - $500). The Company was able to increase its Powerwave IOR/EOR applications, which is contrary to the Company's experience in Canada and the United States.

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. The non-cash impairment write-down expense related to the South Rodney oilfield and related assets were reclassified as an impairment expense line item to conform to the current year's presentation and provide better comparability.

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 decreased by $788,753 to $1,095,973, (or 40.0% of revenues) compared to $1,884,726 (or 42.3% of revenues) for the comparative reporting period.

Costs of sales were negatively impacted by a single Canadian Powerwave IOR/EOR project that is in a loss position, and the increased costs of international Powerwave IOR/EOR and stimulation projects. Costs of sales associated with the Canadian project that is in a loss position totalled $124,759, whereas costs of sales for international Powerwave IOR/EOR projects totalled $629,819 or 40.4% of international Powerwave IOR/EOR revenues. Costs of sales for all Powerwave IOR/EOR projects approximated 45.2% of Powerwave IOR/EOR revenues, whereas costs of sales for all Powerwave well stimulations approximated 32.7% of Powerwave well stimulations revenues.

Gross Profit

Gross profits were $1,639,825 (or 59.9% of revenues) compared to $2,575,318 (or 57.7% of revenues) for the comparative reporting period.

The following table sets out the gross profit margins by cash generating unit for fiscal 2016:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 1,671,759	$ 690,568	$ 323,435	$ 50,036	$ 2,735,798
Costs of sales	755,851	225,499	112,987	1,636	1,095,973
	$ 915,908	$ 465,069	$ 210,448	$ 48,400	$ 1,639,825
Gross profit margin (note 1)	54.8%	67.3%	65.1%	96.7%	59.9%

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 fiscal 2015:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 1,906,755	$ 1,913,173	$ 584,532	$ 55,584	$ 4,460,044
Costs of sales	1,063,989	554,715	258,264	7,758	1,884,726
	$ 842,766	$ 1,358,458	$ 326,268	$ 47,826	$ 2,575,318
Gross profit margin (note 1)	44.2%	71.0%	55.8%	86.0%	57.7%

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

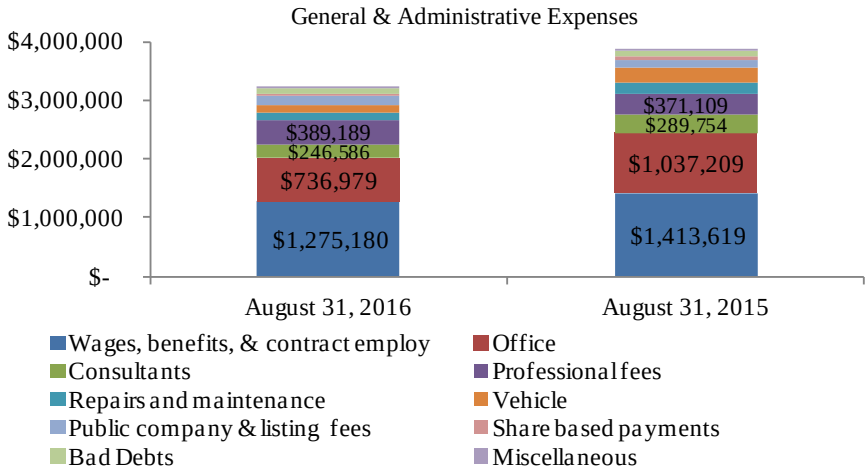
Other Expenses

Other expenses for the year ended August 31, 2016, amounted to $4,454,442, compared to $11,218,335 in fiscal 2015. Excluding costs of sales, the overall decrease in expenses of $6,763,893 principally relates to the following:

i) During the current fiscal year, and as at November 30, 2014 and February 28, 2015, the Company determined that impairment indicators existed related to the Company's market capitalization being below the carrying value of its net assets, the drop in and volatility in crude oil prices, and the changes to operating and capital budgets of E&P company budgets. Additional impairment indicators were present at February 28, 2015 in that the Company experienced weaker than expected economic performance across its CGUs and implemented operation expense reduction measures and managed capital programs. As a result of the value-in-use and fair value less sell costs calculations, the Company recognized a non-cash impairment charge of $5,023,475, which was allocated to the assets in the Powerwave CGU consisting of $1,753,520 non-cash impairment charge for property, plant and equipment and $3,269,955 non-cash impairment charge for intangible assets.

   Excluding costs of goods sold and the above noted non-cash impairment charges, the other expenses for the year ended August 31, 2015, amounted to $6,194,860 compared to $4,454,442 for the year ended August 31, 2016, which represents a $1,740,418 or 28.1% reduction, and relates to the following:

ii) The following chart illustrates the decreases of $645,720 in general and administrative expenses (August 31, 2016 - $3,210,547; August 31, 2015 - $3,856,267):



General and administrative expenses variance primarily relates to the following:

- Decreases in office expenses of $300,230 to $736,979. The decrease of office expenses principally relates to facility related expenses which was reduced by $97,946 and insurance expenses which was reduced by $88,718. Office rental expense declined due to the sub-lease and subsequent expiry of the Calgary sales office. Other reductions relate to lower consumables and utilization of services, due to lower staff levels.

  Due to the magnitude of insurance premiums and as the exposure of the Company to a catastrophic total loss of the tools is limited to certain situations, which the Company believes has a low probability of occurring, the Company decided to self-insure its tools (see Risk and Uncertainty section, page 20), which has resulted in an approximate saving of $21,000 annually. Additionally, insurance premiums decreased as result of declining revenues.

- Decreases in wage and employee benefits of $138,439 to $1,275,180. The decreases principally relate to a decrease in overall staffing levels. Additionally the current year benefited from wages and wage benefits being temporarily reduced by 7.5%, with Management wage and wage benefits being reduced by up to approximately 10%. General and administrative wage expenses were affected by the varying allocations to other functional categories (i.e., sales and marketing, and research and development) and in the manufacturing of Powerwave tools.

- Decreases in vehicle expenses of $113,743 to $134,924. The decreases principally relates to decreases in fuel of $43,092 and non-sales related ground transportation of $75,287. These decreases related to an ongoing effort to manage expenses related to more near term revenues and lower activities in Canada and the US.

- Decreases in repairs and maintenance expense of $65,117 to $130,120 corresponding to decreases relative to revenue reductions and reduction in facility maintenance expenses.

- Decrease in consulting fees of $43,168 to $246,586 principally relates to the use of external consultants in the comparative year for strategic planning. Additionally, the Company sought and obtained a reduction in the rates charged from certain consultants given industry activity levels.

Offsetting the above noted decreases were increases in the following:

- Increases in public company and listing fees of $31,226 to $149,427, pertain to the reversal of accruals in the comparative fiscal year, as the Company, given economic realities, scaled back the scope of investor relations activities and the expenses related to the annual general meeting.

- Increases in professional fees of $18,080 to $389,189 principally pertain to fees related to work on international agreements, USA tax and human resources legal fees.

iii) Sales and marketing expenses decreased by $644,290 to $533,139 (2015 - $1,177,429) and are primarily related to decreases in sales and the marketing wages expense allocation of $547,947, decreases in travel expenses by $68,630 and decreases in marketing, advertising, promotion and entertainment expenses by $13,225. The overall decreases reflect the Company focus on cost controls, the focus on sales personnel actively seeking new contracts, and incurring such expenditures only when near term revenues are more assured.

iv) A decrease in "amortization and depreciation" expenses of $426,358 to $545,969 (2015 - $972,327) relates to a reduction in the property, plant and equipment base as a result of the above noted non-cash impairment write-down of property, plant and equipment.

v) Research and development remained relatively flat, decreasing by $24,050 to $164,787 (2015 - $188,837) as the Company focused on fewer research and development projects in favor of cost controls and focusing on near term revenue initiatives.

Net Finance Section of Income

Under IFRS any recognized foreign exchange losses are recorded in financing costs, where as foreign exchange gains are recorded in financing income.

Financing costs totalled $11,442 (2015 - $4,238). Finance costs included interest expenses totalling $1,777 (2015 - $4,238) and a recognized foreign exchange loss totalling $9,665 (2015 - $nil).

Financing income for the reporting period decreased by $59,532 to $63,858 compared to $123,390 for the comparative year. Financing income includes interest income of $63,858 (2015 - $69,089) and a recognized foreign exchange gain of $54,301 for fiscal 2015.

Operating Cash Flows

The following table sets out the $283,163 or 21.6% decrease in cash used in operations as at August 31, 2016 compared to August 31, 2015:

	As at August 31, 2016	As at August 31, 2015
Net loss	$ (2,762,201)	$ (8,523,865)
Items not affecting cash		
Amortization and depreciation	545,969	972,327
Share-based payments	66,188	79,216
Impact of foreign translation	14,281	169,159
Gain on disposal of property, plant and equipment	13,389	(6,308)
Interest expense	1,777	4,238
Impairment	-	5,023,475
	(2,120,597)	(2,281,758)
Interest paid	(1,777)	(4,238)
Net change in non-working capital items	1,092,062	972,521
Cash used in operating activities	(1,030,312)	(1,313,475)

Net Loss and Loss Per Share

The basic and diluted net loss for the year ended August 31, 2016 decreased by $5,761,664 to $2,762,201 ($0.033 per share), compared to $8,523,865 ($0.103 per share) in fiscal 2015. Adding back the non-cash impairments of $5,023,475 for fiscal 2015, the adjusted net loss would be $3,500,390 ($0.042 per share).

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, 2016	As at August 31, 2015
Net loss	$ (2,762,201)	$ (8,523,865)
Items not affecting cash		
Amortization and depreciation	545,969	972,327
Interest and tax expense	8,593	19,023
EBITDA	$ (2,207,639)	$ (7,532,515)
EBITDA loss per share	$ (0.027)	$ (0.091)

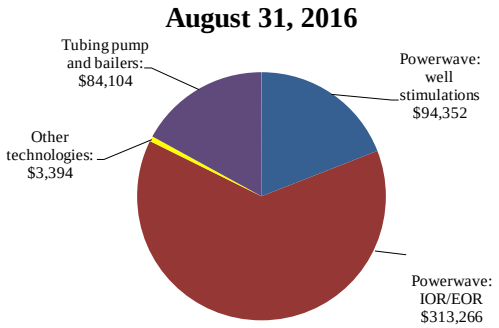
note 1: EBITDA is calculated by adding back all interest, tax, depreciation and amortization to net loss, and is further discussed in Non-IFRS Measures

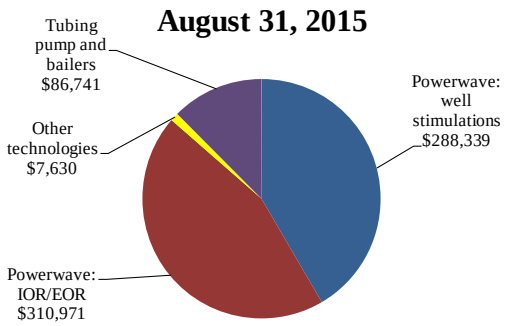
Adding back the non-cash impairments of $5,023,475 for fiscal 2015, the EBITDA loss is $2,509,040 or $0.030 per share. After adding back the non-cash impairments for fiscal 2015, the Company was still able to decrease the EBITDA loss by $301,401.

FOURTH QUARTER RESULTS - THREE MONTHS ENDED AUGUST 31, 2016

Revenues

Revenues for the three months ended August 31, 2016 were $495,116 a decrease of $198,565 over the comparative period in 2015 that recognized revenues of $693,681. The changes in product line mix are characterized in the comparative charts below.





Revenue attributed to Powerwave product lines for the three months ended August 31, 2016 were $407,618 compared to comparative period of $599,310. For the three months ended August 31, 2016, the total revenue of Powerwave IOR/EOR projects remained relatively flat and totalled $313,266 compared to $310,971 in the comparative period. The changes within the reporting periods however, include a decrease of $112,647 in Canadian and US IOR/EOR revenues, with an offsetting increase of $114,942 in international Powerwave IOR/EOR revenues.

For the three months ended August 31, 2016 Powerwave revenues related to well stimulations totalled $94,352, a decrease of $193,987 compared to $288,339 in the comparative period. The decrease in Powerwave stimulation revenues related to a decrease of $192,329 in the US and $33,118 in Canada; however, international revenues, with the above noted technology approvals, have increased by $31,460. Other Technology related revenues totalled $3,394 (2015 - $7,630).

For the three months ended August 31, 2016 revenues from the tubing pumps and bailer product line totalled $84,104 compared to $86,741 in the comparative period.

Geographically, $113,223 (2015 – $261,625) in revenue for the three months ended August 31, 2016 was generated in Canada, $34,560 (2015 - $232,319) from the United States, and $347,333 (2015 - $199,737) and internationally. The geographic revenues are more specifically described as follows:

> **Canada**. Gross revenues for the three months ended August 31, 2016 in our Canadian operation decreased by $148,402 to $113,223 in fiscal 2016 (2015 - $261,625). Powerwave IOR/EOR revenues totalled $nil (2015 - $112,647); Powerwave well stimulation revenues in Canada totalled $29,119 (2015 - $62,237); and tubing pump and bailer revenues totalled $84,104 (2015 - $86,741).

United States. Gross revenues for the three months ended August 31, 2016 in our US operation decreased by $197,759 to $34,560 (2015 - $232,319). Powerwave well stimulation revenues totalled $32,360 (2015 - $224,689); and Other technologies totalled $2,200 (2015 - $7,630).

International: Gross revenues for the three months ended August 31, 2016 outside our Canadian and US operations increased by $147,596 or 73.9% to $347,333 (2015 - $199,737). Powerwave IOR/EOR applications revenues totalled $313,266 (2015 - $198,324); Powerwave well stimulation revenues totalled $32,873 (2015 - $1,413); and Other technologies totalled $1,194 (2015 - $ nil).

Costs of Sales

Costs of sales for the three month period ended August 31, 2016 were $165,842 or 33.5% of revenues (2015 - $368,758 or 53.2% of revenues).

Gross Profit

Gross profits for the three month period ended August 31, 2016 were $329,274 or 66.5% of revenues (2015 - $324,923 or 46.8% of revenues).

The following table sets out the gross profit margins by cash generating unit for the three months ended August 31, 2016:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 313,266	$ 94,352	$ 84,104	$ 3,394	$ 495,116
Costs of sales	71,522	66,786	27,534	-	165,842
	$ 241,744	$ 27,566	$ 56,570	$ 3,394	$ 329,274
Gross profit margin (note 1)	77.2%	29.2%	67.3%	100.0%	66.5%

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, 2015:

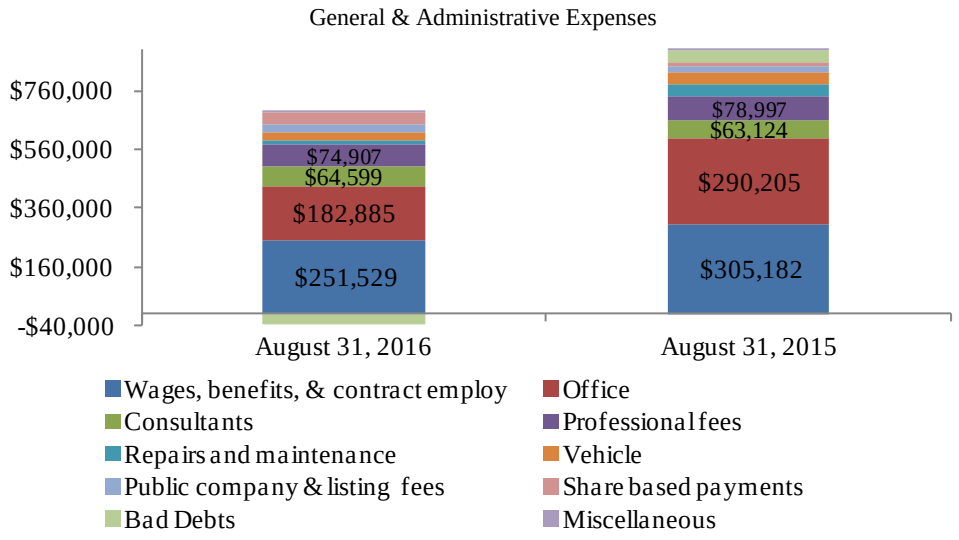
	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 310,971	$ 288,339	$ 86,741	$ 7,630	$ 693,681
Costs of sales	206,392	115,851	45,101	1,414	368,758
	$ 104,579	$ 172,488	$ 41,640	$ 6,216	$ 324,923
Gross profit margin (note 1)	33.6%	59.8%	48.0%	81.5%	46.8%

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

Other Expenses

Other expenses for the three months ended August 31, 2016 amounted to $940,845, compared to $1,316,779 in the comparative period in 2015. The decrease in these expenses of $357,934 was principally a result of the following decreases:

i) The following chart illustrates the decreases of $246,378 in general and administrative expenses (August 31, 2016 - $651,448; August 31, 2015 - $897,826):



General and administrative expenses variance primarily relate to the following:

- Decreases in office expenses of $107,320 to $182,885. The decrease of office expenses principally relating to facility related and insurance expense reductions. Office rental expense declined due to the sub-lease and subsequent expiry of the Calgary sales office in the current reporting period. Other reductions relate to lower consumables and utilization of services, due to lower staff levels.

- Decreases in bad debts of $75,402 to <$34,164> principally relating to collection of previously written-off accounts to bad debt.

- Decreases in wages, benefits and contract employee fees of $53,653 to $251,529 principally relating to a decrease in overall staffing levels and wages and wage benefits being temporarily reduced in the current period. General and administrative wage expenses are also affected by the varying allocations to other functional categories (i.e., sales and marketing, and research and development) and in the manufacturing of Powerwave tools.

- Decreases in repairs and maintenance expenses of $24,681 to $15,685 principally relating to decreases relative to revenue reductions and reduction in facility maintenance expenses.

- Decreases in vehicle expenses of $19,953 to $24,856 principally relating to lower usage that is reflected in lower overall revenue generation.

Offsetting the above noted decreases were increases in the following:

- Increases in share-based payment of $23,059 to $38,227, pertains to the portion of the 1,975,000 incentive stock options expenses that was issued in the current quarter and was allocated to general and administrative expense.

- Increases in public company and listing fees of $16,273 to $32,626 related to the reversal of accruals in the prior period as the Company, given economic realities, scaled back the scope of investor relations activities and the expenses related to the annual general meeting.

ii) A decrease of $62,469 in "amortization and depreciation" expenses to $131,486 (2015 - $193,955), relates to a reduction in the property, plant and equipment base as a result of the non-cash impairment write-downs.

iii) A decrease of $57,290 in sales and marketing expenses to $130,096 (2015 - $187,386). The variance principally relates to decreases in sales and marketing wages expense of $65,707, which was offset by slight increases to marketing, advertising and promotion expense by $7,624 and increases in travel expense by $5,012, The decreases in sales and marketing wage expenses is a function of fewer account managers and overall lower wage rates, where as the marketing, advertising and promotion and travel expense increases were related to efforts in the Middle East.

iv) Research and development expenses remained relatively flat, decreasing by $9,797 to $27,815 (2015 - $37,612) in research and development expense. As larger projects come to a close, the Company will focus on fewer research and development projects in favour of focusing on near term revenue initiatives.

Net Finance Section of Income

Under IFRS any recognized foreign exchange losses are recorded in financing costs, where as foreign exchange gains are recorded in financing income.

Financing costs totalled $43 (2015 - $247) and only included interest expenses.

Financing income for the reporting period decreased by $20,712 to $18,751 compared to $39,463 for the comparative period. Financing income included interest income of $16,755 (2015 - $17,299) and a recognized foreign exchange gain of $1,996 (2015 - $22,164).

Operating Cash Flows

The following table sets out the cash used in operations for the quarter ended August 31, 2016 and 2015:

	Three months ended August 31, 2016	Three months ended August 31, 2015
Net loss	$ (592,863)	$ (952,640)
Items not affecting cash		
Amortization and depreciation	131,486	193,955
Impact of foreign translation	81,066	45,207
Share-based payments	49,342	17,111
Interest expense	43	247
	(330,926)	(696,120)
Interest paid	(43)	(247)
Net change in non-working capital items	141,131	(23,673)
Cash used in operating activities	(189,838)	(720,040)

Net Loss and Loss Per Share

The basic and diluted net loss for the quarter ended August 31, 2016 decreased by $359,777 to $592,863 ($0.007 per share), compared to $952,640 ($0.011 per share) in 2015. The decreases in losses principally relate to the cost control initiatives the Company has implemented in face of the industry challenges.

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, 2016	Three months ended August 31, 2015
Net loss	$ (592,863)	$ (952,640)
Items not affecting cash		
Amortization and depreciation	131,486	193,955
Interest and tax expense	309	2,084
EBITDA	$ (461,068)	$ (756,601)
EBITDA loss per share	$ (0.006)	$ (0.009)

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

SUMMARY OF QUARTERLY RESULTS AND LOSS PER SHARE

The following tables sets forth selected data derived from our unaudited condensed consolidated interim 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 '16	3rd Qtr May 31 '16	2nd Qtr Feb 28 '16	1st Qtr Nov 30'15	Annual
Fiscal 2016					
Revenue	$ 495,116	$ 794,138	$ 531,913	$ 914,631	$ 2,735,798
Net Loss	$ (592,863)	$ (662,637)	$ (808,382)	$ (698,319)	$ (2,762,201)
Basic and diluted loss per share	$ (0.007)	$ (0.008)	$ (0.010)	$ (0.008)	$ (0.033)
Common shares outstanding					
Weighted average shares outstanding	82,956,240	82,956,240	82,956,240	82,956,240	82,956,240

	4th Qtr Aug 31 '15	3rd Qtr May 31 '15	2nd Qtr Feb 28 '15	1st Qtr Nov 30'14	Annual
Fiscal 2015					
Revenue	$ 693,681	$ 1,213,218	$ 1,059,555	$ 1,493,590	$ 4,460,044
Net Loss	$ (952,640)	$ (765,016)	$ (4,089,528)	$ (2,716,682)	$ (8,523,865)
Basic and diluted loss per share	$ (0.011)	$ (0.009)	$ (0.049)	$ (0.033)	$ (0.103)
Common shares outstanding					
Weighted average shares outstanding	82,956,240	82,956,240	82,956,240	82,956,240	82,956,240

note 1: All amounts in Canadian dollars except share data

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total current assets decreased by $2,541,583 to $6,247,164 from the prior year end. Of the net decrease, $1,130,596 relates to a reduction of cash resources, of which $94,822 was used for the acquisition of additional Powerwave tools, equipment and leasehold improvements, and $1,030,312 was used to fund operations.

Trade and other receivables decreased by $672,389, of which $678,374 relates to reductions in trade receivable and trade receivable accruals as the Company is more aggressive in its collection and managing cash. Other receivables reflect changes in allowance for doubtful accounts, and 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 $252,639, of which $545,969 due to amortization, $249,138 due to transfers from inventory, with an offset of $94,822 due to purchases of property, plant and equipment.

Liabilities

Total liabilities decreased by $104,862 from the prior year-end to $609,102. Of the liabilities, $65,569 relates to an increase in trade accounts payable, and $170,430 relates to a decrease in accruals related to the Powerwave project costs, 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, 2016 and 2015:

	As at August 31, 2016	As at August 31, 2015	Change
Current assets	6,247,164	8,788,747	2,541,583
Current liabilities	(609,102)	(713,964)	(104,862)
Working capital[note 1)]	5,638,062	8,074,783	2,436,721

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, which declined each year by $65,000, as security for the Company's new Edmonton office and warehouse lease. As at August 31, 2015 the balance of the Letter of Credit was $130,000. Once the Letter of Credit expired, none of the Company's capital is subject to any external restrictions.

Wavefront believes that its working capital position will continue to fluctuate and that the Company's cash flow break-even will be affected by degree of commercialization and the product mixes between Powerwave well stimulation, Powerwave IOR/EOR, as well as its tubing pumps and bailer product line.

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

Financings

There were no financings during the reporting or the comparative period.

Capital Resources

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

- To maintain an inventory of Powerwave tool systems and related activities; and,
- To support strategic marketing efforts related to near-term revenue generation.

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

As of December 20, 2016, Wavefront had $4,533,828 of cash on hand. Of the cash on hand, Wavefront has $4,250,000 in short term investments. Of the investments $4,250,000 in Term Deposits on deposit with National Bank Financial cashable without penalty on or after 90 days, with 2,500,000 cashable after June 20, 2016 but maturing on March 21, 2017, and $1,750,000 cashable on February 22, 2017 but maturing on November 24, 2017, with guaranteed interest rates of 1.35% and 1.25% respectively.

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 National Bank Financial.

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	$ 1,565,063	$ 388,670	$ 737,510	$ 438,883	$ -

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 year term expiring on January 31, 2021. The future commitment in base rental payments is $944,168 over the balance of the term.

As well, in a prior 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 Powerwave stimulation business. The office lease has a commencement date of July 1, 2012 and a ten (10) year term expiring on June 30, 2022. The balance of the future commitment in base rental payments is $594,680.

The Company is of the opinion that its working capital position of $5,638,062 as at August 31, 2016 is sufficient to cover its current commitments and operations for the forthcoming twelve (12) months. It is also anticipated that internally generated cash from operations will increase over the long term as Powerwave continues to be commercialized and inducements and incentives decrease. Wavefront may consider future financings based on expected need to finance Powerwave tools, working capital, or acquisitions, and will consider debt financing of its Powerwave tools or an acquisition 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 entered into a Consulting Agreement with a director of the Company to provide certain services for a monthly fee of US $3,000 per month (2015 – US $5,000). During the year, the Company recorded $47,754 (August 31, 2015 - $72,591) in consulting expense, with $nil (August 31, 2015 - $nil) included in accounts payable. Subsequent to the fiscal year end the compensation to the director was increased to US $5,000 per month.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

Market Acceptance –Powerwave's 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, may require additional employee expertise and may place increased demands on the Company's current resources and management with respect to recruiting, training, budgeting, scheduling, and technical skills. These demands may 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.

Powerwave Technology Risks – Although the results of research, development, and field installations have demonstrated Wavefront's Powerwave technology to be viable, there is no guarantee that Powerwave will be commercially 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 project not providing the intended benefits,

due to unforeseeable factors, could also impede the acceptance of the Powerwave in 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 protracted 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.

Product Liability, Warranties and Uninsured Risks – Although the Company maintains insurance to protect against certain risks in such amounts as it considers commercially reasonable, its insurance will not cover all of the potential risks associated with its operations. 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. Due to the magnitude of insurance premiums and as the exposure of the Company to a catastrophic total loss of the tools is limited to certain situations, which the Company believes has a low probability of occurring, the Company has currently decided to self-insure its tools. Should a catastrophic loss of tools occur it would have a material adverse effect on the business, financial condition and future prospects of the Company.

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 tool manufacturing, or to fund the Company through a protracted commercialization to profitability stage. 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.

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 past ownership of mineral rights however, may expose 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 well, 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, Primawave and WaveAxe.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates are disclosed in Note 3, "Significant Accounting Policies" and Note 5, "Critical Accounting Estimates and Judgements" of the Consolidated Financial Statements for the year ended August 31, 2016.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies are disclosed in Note 4, "New Standards Issued But Not Yet Adopted", of the Consolidated Financial Statements for the year ended August 31, 2016.

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.

		2016		2015		2014
Revenues	$	2,735,798	$	4,460,044	$	5,879,549
Net loss	$	(2,762,201)	$	(8,523,865)	$	(5,210,307)
Basic and diluted loss per share	$	(0.03)	$	(0.10)	$	(0.06)
Weighted average number of common shares outstanding		82,956,240		82,956,240		82,956,240
Working capital	$	5,638,062	$	8,074,783	$	9,936,020
Total assets	$	8,156,083	$	10,950,305	$	19,280,770
Total long term financial liabilities	$	nil	$	nil	$	nil
Total liabilities	$	609,102	$	713,965	$	1,051,482
Shares outstanding at August 31		82,956,240		82,956,240		82,956,240

(1) In Canadian dollars, except share data

DESCRIPTION OF SHARE CAPITAL

As at August 31, 2016, 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	4,295,000	
		4,295,000
Fully diluted share capital:		87,251,240

As at December 20, 2016, 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 up to ten (10) years and vest in equal tranches at three (3) month intervals over a period of eighteen months.

Date of Grant	Number of Shares	Optionee	Exercise Price		Expiry Date
August 4, 2016	1,600,000	Directors and officers	$	0.28	August 4, 2026
August 4, 2016	375,000	Employees	$	0.28	August 4, 2026
	1,975,000				

Options outstanding

As at August 31, 2016

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share $
March 17, 2015	March 17, 2020	900,000	0.12
August 4, 2016	August 4, 2026	1,975,000	0.28
February 21, 2014	February 21, 2019	825,000	0.315
February 22, 2013	February 22, 2018	475,000	0.38
November 12, 2013	November 12, 2018	75,000	0.41
September 28, 2011	September 28, 2016	45,000	0.66
		4,295,000	

During the fiscal year the 530,000 options, exercisable at $0.97, issued directors and officers of the Company expired unexercised. In addition, during the year 25,000 options, exercisable at $0.38, issued to an employee were terminated unexercised.

Subsequent to the fiscal year 45,000 options, exercisable at $0.66, issued to employees expired unexercised.

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 and its long-term plans, including the potential necessity for further cost reductions;*
- *under the heading "Liquidity and Capital Resources", Wavefront's beliefs about its working capital position and cash flow break even 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", "Environmental Risk" and "Financial and Other Instruments" sections in this Management Discussion and Analysis. In determining Wavefront's forward-looking statements, Wavefront considers material factors including assumptions and 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. Many of these factors are beyond Wavefront's control and have effects which are difficult to predict. 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. Investors and the public should carefully consider these factors, other uncertainties and potential events, and the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to Wavefront.*

The forward-looking statements contained herein represent Wavefront's expectations at December 20, 2016, 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).