Wavefront Technology Solutions Inc.

Quarterly Report

For the second

Quarter ended

February 29, 2016

The following discussion and analysis of financial results should be read in conjunction with the unaudited financial statements and the accompanying notes for the quarter ended February 29, 2016 and is based on information available to April 25, 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 unaudited financial results for the second quarter ended February 29, 2016 and February 28, 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 19). The financial information presented throughout this MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the quarter ended February 29, 2016 as well as the audited consolidated financial statements for the period ended August 31, 2015 and 2014 and the related notes.

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.

The Audit Committee of the Board of Directors, whose members are independent as defined in National Instrument 52-110: Audit Committee, met to review the condensed consolidated interim financial statements with management, and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors has approved the condensed consolidated interim financial statements on April 25, 2016.

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", "cash from operations", "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;

- Cash 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 used in operating activities is a component of the IFRS consolidated statement of cash flows;

- Other technologies revenue consists of Primawave and Performance Drilling revenues. 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") technology service provider Wavefront is a world leader in injection optimization methods that improve the distribution of fluids in the ground. Marketed under the brand name, "Powerwave", the highly effective technology has proven to increase oil and gas production rates; decrease production decline; and, reduce chemical costs associated with well stimulation programs.

Wavefront focuses on two primary areas to maximize oil and gas productivity with exploration and production companies ("E&P's"):

i. Oil and gas well stimulation (revitalizing individual well productivity or fluid injection rates); and,

ii. Improved or Enhanced Oil Recovery ("IOR/EOR") by improving fluid flow through the oil reservoir (waterflooding or chemical flooding).

A single well stimulation is a remedial operation performed on a producing well to restore or enhance productivity. 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. A single well stimulation is generally on the order of one day compared to IOR/EOR flooding operations that can last much more than a decade.

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 are the injection of a fluid to mobilize bypassed oil.

OUTLOOK

The markets Wavefront serves are large and there is a growing recognition in the industry of Powerwave and the value it provides. The Company believes that no other OFS provider has a similar, diverse portfolio of proprietary fluid injection methods, tools, and know-how proven to maximize oil and gas recovery. Overall, Wavefront's financial results continue to be influenced by technology adaption rates, client project scheduling, direct and indirect competition, and pricing pressure from customers in a low dollar oil environment.

The deterioration in oil prices continues to weigh heavy on the vast majority of OFS companies as E&P's are pressed to reduce both capital and operating costs. Demand for Wavefront's suite of technology has been negatively influenced by decreased E&P activity levels. The outlook for increased and stable oil prices for the balance of 2016 remains doubtful adding further pressure on E&P's to continue scaling back capital and operating spending. As such the Company expects activity levels, especially in North America, to decrease further resulting in overall lower revenue generation in fiscal 2016.

Positioning Wavefront for accelerated growth in good market conditions and safeguarding the Company's balance sheet continues to be at the forefront of Management decisions. Initiatives taken by Management have included a reduction in personnel, salary rollbacks, deferring non-essential capital spending and regulating marketing expenditures. We remain confident that over the long-term Wavefront will succeed in growing market penetration in key geographical regions. Should however, industry economic adversities deepen, Wavefront may ensure its sustainability by further cost reductions and focusing its resources on the markets and products that provide the greatest positive contribution margins.

Central to positioning the Company for future growth has been a focus on establishing Wavefront in the Middle East oil market and more specifically in the Kingdom of Saudi Arabia and Kuwait. These two locations have the lowest production costs globally and though somewhat impacted by low oil prices the national producers in these countries have aggressive expansion plans. The Company continues to have a presence in Oman and anticipates increased activities in the fourth fiscal quarter as the major operators in Oman have fiscally re-positioned themselves due to oil price pressure and the government moving away from further investment. Also in the Middle East Wavefront has now established a presence in Bahrain and will embark on field trials of Powerwave in the near term. Although a smaller oil producer in the region the major oil producer in Bahrain relies heavily on well stimulation to maintain production levels as drilling activities have been cut. The Company anticipates that these efforts will begin to generate revenue later in the fourth fiscal quarter and moving into fiscal 2017.

Based on continued, positive results Wavefront had its Powerwave waterflood contracts in Argentina with Pan American Energy ("PAE") and Plus Petrol extended. The Company also anticipates additional systems to be added to the PAE waterflood program. The Company is also in discussion with Petrobras to extend the existing waterflood program for another one-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, 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.

During the six months ended February 29, 2016, revenues totalled $1,446,544. Although revenues have declined by $1,106,601 from the comparative period, the Company was able to increase international Powerwave EOR/IOR revenues by $325,098. Offsetting the decrease in revenues the Company was able to manage its expenditures, decreasing expenses by $6,424,164. Excluding non-cash impairment charges in the comparative quarter of $5,023,475, the Company was able to reduce expenses by $1,400,689 over the comparative six months ended February 28, 2015.

During the second quarter ended February 29, 2016, Wavefront saw revenues decrease by $527,642 to $531,913. Although Powerwave EOR/IOR revenues declined in Canada and the United States, total Powerwave EOR/IOR remained relatively stable decreasing by only $15,237 as Powerwave EOR/IOR increased internationally by $118,875. Offsetting the decrease in revenues the Company was able to manage its expenditures, decreasing expenses by $3,831,493. Excluding non-cash impairment charges in the comparative quarter of $2,968,885, the Company was able to reduce expenses by $862,608 over the comparative quarter. Of the expense reductions over the comparative quarter, $446,448 relates to reductions in general and administrative, and sales and marketing expenses.

Impairment

As at February 29, 2016, the Company identified the following external and internal impairment indicators:

- Carrying amount of the Company's net assets exceeded its market capitalization; and
- The Company experienced weaker than expected economic performance across CGUs.

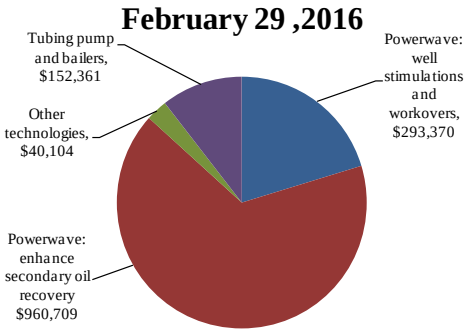
Due to the existence of these impairment indicators, the Company was required to determine the recoverable amounts of its CGUs as at February 29, 2016.

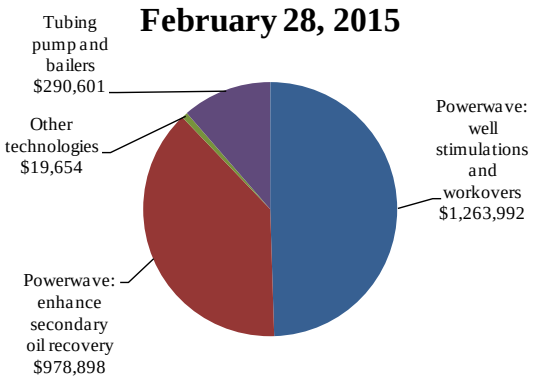
The recoverable amounts of property, plant and equipment and intangible assets recorded within the Powerwave, and Tubing Pump and Bailer CGUs as at February 29, 2016, were determined using fair value less costs to sell. The fair value less costs to sell was estimated using Level 2 inputs such as market prices for recent sales and license of similar assets and external sublease valuations for similar assets. As the recoverable amounts were determined to exceed the carrying value of the property, plant and equipment recorded within the Powerwave, and Tubing Pump and Bailer CGUs as at February 29, 2016, no impairment charge was required.

Consolidated Results – six months ended February 29, 2016

Revenues

Revenues for the six months ended February 29, 2016 were $1,446,544, a decrease of $1,106,601 over the comparative quarter ended February 28, 2015 that recognized revenues of $2,553,145. The changes in product line mix can be characterized as follows:





Revenue attributed to Powerwave product lines were $1,254,079, a decrease of $988,810 over revenues in the comparative quarter of $2,242,889. The Powerwave product line revenues can then be broken into short-term projects involving well stimulations and long-term projects related to using Wavefront's technology in IOR/EOR projects.

For the six months ended February 29, 2016, the total revenue related to Powerwave IOR/EOR projects totalled $960,709 compared to $978,898 in the comparative quarter. Of the $960,709 of revenue related to Powerwave IOR/EOR projects $112,192 related to Canadian projects, and $848,517 related to international projects. International IOR/EOR project revenues are denominated in United States currency. At each reporting date all foreign currency projects are translated into Canadian currency at the periods average rate. Current exchange rates have positively impacted international IOR/EOR project revenue recognition.

For the six months ended February 29, 2016, Powerwave revenues related to well stimulations totalled $293,370, compared to $1,263,992 in the comparative quarter. The collapse in oil prices has had a substantive impact on Powerwave stimulation revenues as E&P's are pressed to reduce both capital and operating costs. E&P financial constraints have also adversely affected the drilling and spudding of wells, which also has a negative effect on potential stimulation work. The Company does not anticipate approaching a return to past Powerwave activity levels until such time there are higher sustained oil prices in the key North American market coupled with new revenue from initiatives in the Middle East.

For the six months ended February 29, 2016, revenues from the tubing pumps and bailer product totalled $152,361 compared to $290,601 in the comparative quarter. Tubing pumps and bailer revenues are comprised of tool rental, delivery and refurbishment fees. The Company expects to see continued variation in tubing pump and bailer revenues resulting from lower levels of activities in Western Canada stemming from continued low oil prices.

For the six months ended February 29, 2016, Other Technology revenues totalled $40,104 for the reporting quarter compared to $19,654 from the comparative quarter. The Company expects to see continued variation in Other Technology revenues quarter over quarter.

Geographically, $317,596 (2015 – $786,456) in revenue was generated in Canada, $216,981 (2015 - $1,124,820) from the United States, and $911,967 (2015 - $641,869) internationally. In this tumultuous period of low oil prices our Company's goal is to globally set the stage for accelerated growth in good market conditions for both well stimulations and IOR/EOR projects. The geographic revenues are more specifically described as follows:

Canada. Revenues in our Canadian operation decreased by $468,860 to $317,596 compared to $786,456 in comparative quarter. Powerwave IOR/EOR project revenues totalled $112,192 (2015 - $371,959); Powerwave stimulation revenues in Canada totalled $53,043 (2015 - $123,896); and tubing pump and bailer revenues totalled $152,361 (2015 - $290,601).

United States. Revenues in our United States operations decreased by $907,839 to $216,981 (2015 - $1,124,820). Powerwave IOR/EOR project revenues totalled $nil (2015 - $83,520); Powerwave stimulation revenues totalled $176,877 (2015 - $1,022,146); and Other Technology revenues totalled $40,104 (2015 - $19,154).

International: Revenues outside our Canadian and United States operations increased by $270,098 to $911,967 (2015 - $641,869). For Powerwave IOR/EOR projects revenues totalled $848,517 (2015 - $523,419) Powerwave stimulation revenues internationally totalled $63,450 (2015 - $117,950); and Other Technology revenues totalled $nil (2015 - $500).

Direct Expenses

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, Tubing Pump and Bailer, and Other Technology product lines.

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

Costs of sales for the six months ended February 29, 2016 were $611,865 or 42.3% of revenues (February 28, 2015 - $884,948 or 34.7% of revenues). Costs of sales were negatively impacted by a single Canadian Powerwave IOR/EOR project in a loss position, which concluded December 1, 2015 and totalled $112,292 or 26.85% of Powerwave IOR/EOR costs of goods sold. The Canadian Powerwave IOR/EOR project did not commence until the second fiscal quarter 2015, and is thus, only impacted the current quarter's costs of sale.

Costs of sales have also been affected by international Powerwave IOR/EOR and stimulation projects, which are more complex, include agent fees, and have a large portion of costs denominated in US currency. Costs of sales associated with international Powerwave IOR/EOR projects totalled $334,447 or 39.42% of international Powerwave IOR/EOR revenue. Costs of sales for all Powerwave IOR/EOR projects approximated 47.78% of Powerwave IOR/EOR revenues, whereas costs of sales for all Powerwave stimulations approximated 34.21% of Powerwave stimulation revenues.

Gross Profit

The following table sets out the gross profit margins by product line for the six months ended February 29, 2016:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 960,709	$ 293,370	$ 152,361	$ 40,104	$ 1,446,544
Costs of sales	458,998	100,352	52,128	387	611,865
	$ 501,711	$ 193,018	$ 100,233	$ 39,717	$ 834,679
Gross profit margin (note 1)	52.2%	65.8%	65.8%	99.0%	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

The following table sets out the gross profit margins by product line for the six months ended February 28, 2015:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 978,898	$ 1,263,992	$ 290,601	$ 19,654	$ 2,553,145
Costs of sales	405,083	317,980	160,953	932	884,948
	$ 573,815	$ 946,012	$ 129,648	$ 18,722	$ 1,668,197
Gross profit margin (note 1)	58.6%	74.8%	44.6%	95.3%	65.3%

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, i.e., not including costs of goods sold, for the six months ended February 29, 2016, amounted to $2,389,707, compared to $8,540,788 in February 28, 2015. Excluding the non-cash impairment charge of $5,023,475 as noted above (page 3) for the six months ended February 28, 2015, the Company was able to decrease other expenditures for the six months ended February 29, 2016 by $1,127,606 over the comparative period. The change in expenses was principally a result of the following changes:

i) The recognition of non-cash impairment expense related to the Powerwave, Other Technology CGUs of $5,023,475 that only occurred in the six months ended February 28, 2015.

ii) Selling and marketing expenses also decreased by $508,443 to $244,937. The decrease principally relates to a reduction of $391,456 in wage expense due to the restructuring of the size of the sales force, specifically in areas where the Company had little sales activities. Additionally, the Company has seen its marketing expenses decrease by $19,445, and travel and entertainment decrease by $97,542, which is a result of an ongoing effort to manage these expenses relate to more near term revenues.

iii) Amortization and depreciation decreased by $339,658 to $274,338 from the comparative quarter. The decrease in amortization and depreciation expense is a result of prior period non-cash impairment charges.

iv) General and administrative expenses decreased by $260,004 (February 29, 2016 - $1,795,544; February 28, 2015 - $2,055,548) and principally relate to the following:

- Office expenses decreased by $143,311 to $359,542. The decrease of office expenses principally relates to facility related expenses and insurance expenses. Office rental expense declined due to the accrual of the onerous contract and restructuring charge related to the Calgary sales office that the Company recognized in the prior quarter ended August 31, 2015. 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 has currently decided to self-insure its tools (see Risk and Uncertainty section, page 16), which has resulted in an approximate saving of $21,000 annually. Additionally, insurance premiums decreased as result of declining revenues.

- Decreases in consulting fees of $76,688 to $97,946 principally relates to the use of external consultants in the comparative quarter for strategic planning which amounted to $47,000. Additionally, the comparative quarter had an increase in certain engineering consulting fees totaling $16,995.

- Decreases in vehicle expenses of $65,346 to $81,637. The decreases principally relates to decreases in non-sales related ground transportation of $49,496, and fuel of $26,262. These decreases related to an ongoing effort to manage these expenses relate to more near term revenues. Offsetting these decreases however, was an increase in vehicle maintenance and insurance of $10,412.

- Decrease in share based payment of $23,952 to $13,384, relates to the valuation and expensing of 825,000 incentive stock options issued in the prior year.

- Decreases in professional fees of $26,162 to $226,887. The decrease of professional fees principally relates to advisory in the comparative quarter associated with: i) transfer pricing and valuation, which is occasionally undertaken when economic circumstances dictate; ii) tax planning; and, iii) international tax consultation to ensure proper withholding and compliance. Also in late fiscal 2015 the Company decided to reduce non-audit advisory fees by eliminating interim quarterly reviews, thus saving the Company approximately $8,830 per quarter.

- Offsetting the above noted decreases was an increase in bad debt expense of $57,172 to $107,451. The increase in bad debt expense principally relates to the bankruptcy of one USA based client, resulting in the write off of $72,032.

v) Research and development expense remained relatively stable, decreasing by $19,501 to $74,888. Of the wage expense within research and development $47,222 relates to labour of our physicist and reservoir engineer that support our Powerwave product line. Wage expense remained relatively flat, decreasing by $15,232 as less reservoir engineer research was undertaken. Tool and other research have been managed such that resources are focused on more near term revenues. At present, it is expected that wage expenses related to research and development will be reduced in future periods.

Net Finance Section of Income

Interest income of $49,971 (2015 - $69,872) includes interest earned for the reporting quarter of $31,709 (2015 - $34,684), and foreign exchange gain of $18,262 (2015 – $35,188). Interest earned was lower as a result of maintaining lower principal balances; this however, was offset by earning an average rate of 1.45% for the current quarter versus earning a blend of 1.45% and 1.05% in the comparative quarter. The decrease in foreign exchange gains of $16,926 relates to the strengthening of the Canadian currency.

Financing cost of $1,644 (2015 - $3,491) only includes interest expenses for each period.

Operating Cash Flows

The following table sets out the cash used in operations for the six months ended February 29, 2016 and February 28, 2015:

	As at February 29, 2016	As at February 28, 2015
Net loss	$ (1,506,701)	$ (6,806,210)
Items not affecting cash		
Amortization and depreciation	274,338	613,996
Share-based payment	13,384	37,335
Gain (loss) on disposal of property, plant and equipment	13,039	(5,918)
Interest expense	1,644	3,491
Impairment	-	5,023,475
Impact of foreign translation	(6,550)	142,630
Funds from (used in) operations	(1,210,846)	(991,201)

	As at February 29, 2016	As at February 28, 2015
Funds from (used in) operations	(1,210,846)	(991,201)
Interest paid	(1,644)	(3,491)
Net change in non-cash working capital items	699,829	495,924
Cash used in operating activities	$ (512,661)	$ (498,768)

Net Loss and Comprehensive Loss, and Loss Per Share

The basic and diluted net loss for the six months ended February 29, 2016 decreased by $5,299,509 to $1,506,701 ($0.018 per share), compared to $6,806,210 ($0.082 per share) for the comparative period ended February 28, 2015.

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

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

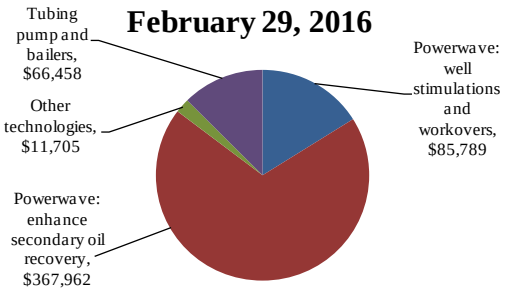
	As at February 29, 2016	As at February 28, 2015
Net loss	$ (1,506,701)	$ (6,806,210)
Items not affecting cash		
Amortization and depreciation	274,338	613,996
Interest and tax expense	5,621	5,691
EBITDA	$ (1,226,742)	$ (6,186,523)
EBITDA loss per share	$ (0.015)	$ (0.075)

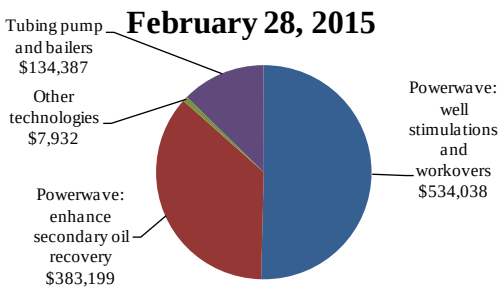
note 1: EBITDA is calculated by adding back all interest, tax, depreciation and amortization to net loss, and is further discussed in Non-IFRS Measures

Consolidated Results – three months ended February 29, 2016

Revenues

Revenues for the three months ended February 29, 2016 were $531,913, a decrease of $527,642 over the comparative quarter ended February 28, 2015 that recognized revenues of $1,059,555. The changes in product line mix can be characterized as follows:





Revenue attributed to Powerwave product lines were $453,751, a decrease of $463,486 over revenues in the comparative quarter of $917,237. The Powerwave product line revenues can then be broken into short-term projects involving well stimulations and long-term projects related to using Wavefront's technology in IOR/EOR projects.

For the second quarter 2016, the total revenue related to Powerwave IOR/EOR projects totalled $367,962, which solely relates to international projects, remained relatively stable decreasing by only $15,237. International IOR/EOR project revenues are denominated in United States currency. At each reporting date all foreign currency projects are translated into Canadian currency. Current exchange rates have positively impacted international IOR/EOR project revenue recognition.

For the second quarter 2016, Powerwave revenues related to well stimulations totalled $85,789, a decrease of $448,249, compared to $534,038 in the comparative quarter.

For the second quarter 2016, revenues from the tubing pumps and bailer product totalled $66,458 compared to $134,387 in the comparative quarter.

For the second quarter 2016, Other Technology revenues totalled $11,705 for the reporting quarter compared to $7,931 from the comparative quarter.

Geographically, $105,508 (2015 – $281,716) in revenue was generated in Canada, $57,026 (2015 - $410,802) from the United States, and $369,380 (2015 - $367,037) internationally. The geographic revenues are more specifically described as follows:

Canada. Revenues in our Canadian operation decreased by $176,208 to $105,508 compared to $281,716 in comparative quarter. Powerwave IOR/EOR project revenues totalled $nil (2015 - $110,959); Powerwave stimulation revenues in Canada totalled $39,050 (2015 - $36,370); and tubing pump and bailer revenues totalled $66,458 (2015 - $134,387).

United States. Revenues in our United States operations decreased by $353,777 to $57,026 (2015 - $410,802). Powerwave IOR/EOR project revenues totalled $nil (2015 - $23,153); Powerwave stimulation revenues totalled $45,321, a decrease of $334,396 over comparative revenues of $379,718; and Other Technology revenues totalled $11,705 (2015 - $7,931).

International: Revenues outside our Canadian and United States operations increased by $2,343 to $369,380 (2015 - $367,037). For Powerwave IOR/EOR projects revenues totalled $367,962 (2015 - $249,087)

Powerwave stimulation revenues internationally totalled $1,418 (2015 - $ 117,950); and Other Technology revenues totalled $nil (2015 - $8,617).

Direct Expenses

Costs of sales for the three month period ended February 29, 2016 were $184,203 or 34.6% of revenues (February 28, 2015 - $519,606 or 49.0% of revenues).

Costs of sales associated with international Powerwave IOR/EOR projects totalled $109,839 or 29.85% of international Powerwave IOR/EOR revenue. Costs of sales for all Powerwave stimulations approximated 45.68% of Powerwave stimulation revenues.

Gross Profit

The following table sets out the gross profit margins by product line for the second quarter ended February 29, 2016:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 367,962	$ 85,789	$ 66,458	$ 11,704	$ 531,913
Costs of sales	122,198	39,196	22,809	-	184,203
	$ 245,764	$ 46,593	$ 43,649	$ 11,704	$ 347,710
Gross profit margin (note 1)	66.8%	54.3%	65.7%	100.0%	65.4%

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 product line for the second quarter ended February 28, 2015:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 383,199	$ 534,038	$ 134,387	$ 7,931	$ 1,059,555
Costs of sales	271,165	170,892	77,439	110	519,606
	$ 112,034	$ 363,146	$ 56,948	$ 7,821	$ 539,949
Gross profit margin (note 1)	29.2%	68.0%	42.4%	98.6%	51.0%

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 second quarter ended February, amounted to $1,183,188, compared to $4,679,278 in February 28, 2015. Excluding the non-cash impairment charge of $2,968,885 as noted above (page 4) for the second quarter ended February 28, 2015, the Company was able to decrease second quarter other expenditures by $527,205 over the comparative quarter. The change in expenses was principally a result of the following changes:

i) The recognition of non-cash impairment expense related to the Powerwave, and Other Technologies CGUs of $2,968,885 that only occurred in the quarter ended February 28, 2015.

ii) Selling and marketing expenses also decreased by $296,211 to $86,119. The decrease principally relates to a reduction of $191,536 in wage expense due to the restructuring of the size of the sales force, specifically in areas

where the Company had little sales activities. Additionally, the Company has seen its marketing expenses decrease by $5,397, and travel and entertainment decrease by $99,278, which is a result of an ongoing effort to manage these expenses relate to more near term revenues.

iii) General and administrative expenses decreased by $144,202 (February 29, 2016 - $909,452; February 28, 2015 - $1,053,654) and principally relate to the following:

- Office expenses decreased by $90,257 to $173,559. The decrease of office expenses principally relates to facility related expenses and insurance expenses. Office rental expense declined due to the accrual of the onerous contract and restructuring charge related to the Calgary sales office that the Company recognized in the prior quarter ended August 31, 2015. Other reductions relate to lower consumables and utilization of services, due to lower staff levels.

- Decreases in vehicle expenses of $35,529 to $30,524. The decreases principally relates to decreases in non-sales related ground transportation of $25,512, and fuel of $14,902. These decreases related to an ongoing effort to manage these expenses relate to more near term revenues. Offsetting these decreases however, was an increase in vehicle maintenance and insurance of $4,885.

- Decreases in wage expense of $84,783 to $312,395. The decrease of wage expense was despite incurring $78,264 in severance payments during the quarter. The decrease principally relates to lower allocations to other functional expenses categories, lower amounts of labour utilized in the building of new Powerwave tools, and lower staff levels.

- Offsetting the above noted decreases was increases in professional fees of $30,716 to $154,439. The increase of professional fees principally relates to increased patent agent expenses and increased USA legal expenses related to restructuring and tax consultation.

iv) Amortization and depreciation expenses decreased by $80,719 to $153,161 from the comparative quarter. The decrease in amortization and depreciation expense is a result of prior period non-cash impairment charges.

v) Research and development expense remained relatively stable, decreasing by $6,075 to $34,456. Of the wage expense within research and development $18,730 relates to labour of our physicist and reservoir engineer that support our Powerwave product line. Wage expense remained relatively flat, decreasing by $11,588 as less reservoir engineer research was undertaken. Tool and other research have been managed such that resources are focused on more near term revenues.

Net Finance Section of Income

Interest income of $27,517 (2015 - $51,840) includes interest earned for the reporting quarter of $15,651 (2015 - $18,926), and foreign exchange gain of $11,866 (2015 – $32,914). Interest earned remained relatively flat despite having lower principal balances in the current reporting period as interest earned was based on an average rate of 1.45% for the quarter ended February 29, 2016 versus 1.05% in the comparative quarter. The increase in foreign exchange gains of $11,866 relates to the strengthening of the US currency.

Financing cost of $421 (2015 - $2,039) only includes interest expenses for each period.

Operating Cash Flows

The following table sets out the cash used in operations for the second quarter ended February 29, 2016 and February 28, 2015:

	As at February 29, 2016	As at February 28, 2015
Net loss	$ (808,382)	$ (4,089,528)
Items not affecting cash		
Amortization and depreciation	153,161	233,878
Gain on disposal of property, plant and equipment	13,039	-
Share-based payment	5,407	14,339
Interest expense	421	2,039
Impairment	-	2,968,885
Impact of foreign translation	(7,047)	88,143
Funds from (used in) operations	(643,401)	(782,244)
Interest paid	(421)	(2,039)
Net change in non-cash working capital items	379,359	736,693
Cash used in operating activities	$ (264,463)	$ (47,590)

Net Loss and Comprehensive Loss, and Loss Per Share

The basic and diluted net loss for the quarter ended February 29, 2016 decreased by $3,281,146 to $808,382 ($0.009 per share), compared to $4,089,528 ($0.049 per share) for the comparative quarter ended February 28, 2015.

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 February 29, 2016	As at February 28, 2015
Net loss	$ (808,382)	$ (4,089,528)
Items not affecting cash		
Amortization and depreciation	153,161	233,878
Interest and tax expense	662	1,821
EBITDA	$ (654,559)	$ (3,853,829)
EBITDA loss per share	$ (0.008)	$ (0.046)

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

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total current assets decreased by $1,257,120 to $7,531,627 from the prior year end. Of the net decrease, $523,947 relates to a reduction of cash resources, of which $512,661 was used to fund operations, and $54,300 was used for the acquisition of additional Powerwave tools and equipment.

Trade and other receivables amounted to $574,986 (as at August 31, 2015 - $1,283,665), the decrease relates to reductions in trade receivable is a result of decreased invoice volumes and as the Company is more aggressive in its collection and managing cash. Other receivables 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 $265,922, of which $274,338 relates to amortization, with an offset of $54,300 due to purchases of property, plant and equipment. Deposits decreased by $35,137 as $17,500 was capitalized for leasehold improvements and $17,637 became refundable and were classified as a receivable.

As at February 29, 2016, the Company disposed of certain assets that were fully impaired (i.e., had a net book value of $nil) in a prior fiscal year, thereby removing costs and accumulated amortization with no income statement effect.

Liabilities

Total liabilities decreased by $68,481 from the prior year-end to $645,483. Of the liabilities, $477,559 relates to trade accounts payable, and $167,924 relates to 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 February 29, 2016 and August 31, 2015:

	As at February 29, 2016	As at August 31, 2015	Change
Current assets	7,531,627	8,788,747	(1,257,120)
Current liabilities	(645,483)	(713,964)	68,481
Working capital[note 1]	6,886,144	8,074,783	(1,188,639)

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

None of Wavefront's capital is subject to any external restrictions.

Wavefront believes that its working capital position will continue to fluctuate and that our Company's cash flow break-even will also be affected by the 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 quarter.

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 April 25, 2016, Wavefront had $5,633,029 of cash on hand. Of the cash on hand, Wavefront has $4,250,000 in short term investments with National Bank Financial. Of the short term investments, $1,750,000 is cashable after February 21, 2016 but maturing on November 23, 2016, and $2,500,000 is cashable after June 19, 2016 without penalty, but maturing on March 21, 2017, with guaranteed interest rates of 1.40% and 1.45% 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	$ 1,760,910	$ 402,944	$ 732,375	$ 625,591	$ -

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 $1,050,022 over the balance of the term.

In a prior year, the Company entered into a sales office lease for Calgary, Alberta. The facilities were to create a greater presence for the 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 $13,473 plus operating costs estimated at $23,618. As at August 31, 2015 the workforce at the Calgary location was released, with all Canadian CGU sales now being supported out of the Edmonton and Lloydminster, Alberta locations. Effective December 1, 2015, the Company subleased the facilities, resulting in a recovery of $25,696 in net lease and operating costs.

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 stimulation and workover 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 $669,680.

The Company is of the opinion that its working capital position of $6,886,144 as at February 29, 2016 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 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

In a prior year the Company entered into a Consulting Agreement with a director of the Company to provide certain services, and was amended for a monthly fee of US $3,000 per month. During the three and six months ended February 29, 2016, the Company recorded $12,197 (February 28, 2015 - $14,952) and $24,394 (February 28, 2015 - $31,908), respectively, in consulting expense, with $nil (August 31, 2014 - $nil) included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

Other than the below noted the Company's business risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2015.

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.

ENVIRONMENTAL RISK

The Company's environmental risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2015.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates are the same as disclosed in its annual MD&A issued for the year ended August 31, 2015.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies are disclosed in Note 2, "*Statement of Compliance*", of the Unaudited Interim Condensed Consolidated Financial Statements for the quarter ended February 29, 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, 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. 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

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.

	2nd Qtr Feb 29'16	1st Qtr Nov 31 '15	4th Qtr Aug 31 '15	3rd Qtr May 31 '15
Fiscal 2014				
Revenue	$ 531,913	$ 914,631	$ 693,681	$ 1,213,218
Net Loss	$ (802,382)	$ (698,319)	$ (952,640)	$ (765,016)
Basic and diluted loss per share	$ (0.010)	$ (0.008)	$ (0.011)	$ (0.009)
Common shares outstanding				
Weighted average shares outstanding	82,956,240	82,956,240	82,956,240	82,956,240

	2nd Qtr Feb 28'15	1st Qtr Nov 30 '14	4th Qtr Aug 31 '14	3rd Qtr May 31 '14
Revenue	$ 1,059,555	$ 1,493,590	$ 1,486,805	$ 1,499,056
Net Loss	$ (4,089,528)	$ (2,716,682)	$ (1,005,009)	$ (2,276,242)
Basic and diluted loss per share	$ (0.049)	$ (0.033)	$ (0.012)	$ (0.027)
Common shares outstanding				
Weighted average shares outstanding	82,956,240	82,956,240	82,956,240	82,956,240

note 1: All amounts in Canadian dollars except share data

DESCRIPTION OF SHARE CAPITAL

As at February 29, 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	2,345,000	
		2,345,000
Fully diluted share capital:		85,301,240

As at April 25, 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 quarter

No options were granted during the reporting quarter.

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 months.

Options outstanding

As at November 30, 2015

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share $
March 17, 2015	March 17, 2020	900,000	0.12
February 21, 2014	February 21, 2019	825,000	0.315
February 22, 2013	February 22, 2018	500,000	0.38
November 12, 2012	November 12, 2017	75,000	0.41
September 28, 2011	September 28, 2016	45,000	0.66
		2,345,000	

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 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 Other Technologies 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 April 25, 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).