Wavefront Technology Solutions Inc.

Annual & Fourth Quarter Report for the Fiscal Year & Period Ended August 31, 2019

The following discussion and analysis of financial results should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended August 31, 2019 and 2018 and is based on information available to December 19, 2019. 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 International Financial Reporting Standards ("IFRS"). The MD&A primarily compares the audited financial results for the year ended, and fourth quarter ended August 31, 2019 to August 31, 2018. 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 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 Public 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 audited consolidated financial statements.

NON-IFRS MEASURES

The Company uses IFRS, additional and non-IFRS (or non-generally accepted accounting principles or non-GAAP) measures to make strategic decisions, to set targets and use in operating activities, and as such believes that the additional and 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 may not have a standard meaning prescribed by IFRS and may not be comparable to similar measures used by other companies.

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

- 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 revenue. Gross profit margin is calculated by dividing the gross profit by revenue. Gross profit is a sub total line item in the consolidated statement of net loss and comprehensive loss;

- Other technology revenue consists of Primawave and Performance Drilling revenues. Other technology revenues are non-IFRS measures with the most comparable IFRS measure being revenues; and,

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

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

OVERVIEW OF BUSINESS

Wavefront, an Oil Field Service ("OFS") company, provides leading edge technology primarily focused on optimized oil and gas well stimulation and Improved/Enhanced Oil ("IOR/EOR") recovery. For oil and gas well stimulation Powerwave™, Wavefront's core technology, has proven to decrease both chemical cost and job execution time thus minimizing total job cost without negatively impacting post-stimulation results. In IOR/EOR applications, Powerwave has been shown to improve oil production rates; decrease oil production decline rates; and increase estimated ultimate oil recovery.

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

i. Well stimulation; and,
ii. 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. Powerwave stimulations may take several hours to several days.

IOR/EOR targets stranded or bypassed oil in reservoir which is very difficult to produce due to various physical limitations. The common theme in IOR/EOR approaches is the injection of a fluid to mobilize bypassed oil. Powerwave IOR/EOR projects are usually 12 months or longer in duration.

Wavefront currently has distribution, agency, or representation ("Distributor") agreements that encompass representation in 65 countries (but are active in 15 countries) and permit Distributors to market and resell the Company's suite of technologies to end users or E&Ps. Distributors are effective alternative distribution channels used to leverage Wavefront's global reach as well as reducing the Company's overall infrastructure as the Distributor deals directly with their customers; the end users or E&Ps. The agreements provide that the Distributor is generally responsible for contracting directly with and fulfilling the provision of goods or services to the end user, i.e., E&Ps, or their customers, and thus the Distributor is responsible for the execution and costs of work performance with their customers, inclusive of their customer's satisfaction for its entire general and administrative, sales and marketing expenses. Wavefront is also not exposed to the credit risk decisions of the Distributor; thus, the Distributor bears all risks and rewards in dealing with its customers. Like any other customer Wavefront does however, have credit risk in collections from its Distributors.

Distribution agreements do not generally provide for established pricing to end users or E&P's in each country but instead provide a pre-negotiated amount that Wavefront can expect to receive for each bundled Powerwave job or service the Distributor provides to the end user or E&P. The Distributors however, are entitled to deduct any commissions, fees or foreign tax withholdings from any amounts paid to Wavefront; thus, Wavefront recognizes the net amounts received in its revenue recognition. Wavefront is responsible for supplying Powerwave tools to the distributor; Powerwave tool replacement, if needed; certain proprietary inventory type items required to rebuild or

refurbish Powerwave tools, or consumables; and, if needed all Powerwave modeling, and the provision of remote technical support.

Wavefront also sells directly to end users or E&Ps, and other non-distributors, in which case the Company is responsible for fulfilling the provision of goods or services to the end user, or E&Ps. In dealing with end users or E&P or non-Distributor, Wavefront negotiates an amount that it can expect to receive for each bundled Powerwave job or service.

Wavefront has typically, regardless of dealing with an end user or E&P directly as a customer or dealing with its Distributors and despite the type of application or product line (e.g., a Powerwave stimulation or IOR/EOR project), bundled its services, jobs or projects, which may include some or all of: modelling and programming, tool mobilization and installation, tool rental (or sale), Powerwave licensing, and demobilization. As all Powerwave components are transferred consecutively to the customer (i.e., regardless if an E&P or non-distributor, or a Distributor), the customer only receives economic benefits from the Powerwave service over the licensed and rental periods (i.e., be it a shorter period for Powerwave stimulation or a longer period for an IOR/EOR project).

Many Powerwave tools carry out a patented process; thus, the operation of such tools requires a limited license. Wavefront's patent portfolio encompasses i) a utility patent(s) related to the general process of dynamic fluid injection (i.e., the Powerwave process) where there is communication with the well bore and geological structure; and, ii) design patents which cover specific tool designs that provide for dynamic fluid injection. Wavefront's patents were registered in various jurisdictions where the Company anticipated future work, and have various expiry dates. As a result, the Company generates revenues in some countries where it does not have registered patents, but is protected by its licenses, non-compete and non-circumvent agreements, other intellectual properties (such as the proprietary Powerwave model), etc.

In addition to the aforementioned patent portfolio, the Company's intellectual properties include "know how" or trade secrets to install and to properly operate Powerwave tools, and a proprietary model which details predictive outcomes and operating protocols for Powerwave well stimulations as related to specific reservoir conditions. The proprietary model, in certain geographic regions, may be more integral to the Company's current business than its patents. As Distributors essentially re-sell to their customers, Wavefront provides "certified" training of Distributor personnel in the use of Powerwave tools. However, all Powerwave modelling and job programming is tightly controlled and is performed only by certain Wavefront personnel at the Company's head office in Edmonton, AB.

As a technology based company, Wavefront endeavors to continuously develop new technologies and seek new patents, and as such the Company's intellectual property portfolio will continue to evolve.

OUTLOOK

While the global oil and gas industry continues to experience challenging times related to, among other factors - commodity price uncertainty; rising US shale production; global economic doubt; regulatory uncertainty; regional hostilities; and, a deepening trade war, Management believes the Company's suite of technology will be of significant importance to oil and gas producers to increase productivity and maximize returns at minimal expense.

Wavefront will continue to innovate and deliver to our customers, technologies that will enable them to address the ever increasing complexities of maximizing value from their assets. Such continuous innovation will be the foundation of the Company's future growth and underpin our position as an industry leader in the provision of advanced oil and gas well stimulation and IOR/EOR recovery technology.

Given the long term negative outlook for oilfield services in Canada, Wavefront will continue to focus its marketing efforts and associated budget internationally and in the United States. The Company will evaluate the addition of new international distributors. Where such additions satisfy the Company's business model Wavefront will augment the established roster of well-positioned marketing partners to enhance overall revenue generating opportunities. Management will maintain its course of prudent use of Wavefront's cash resources while remaining flexible and responsive to customer requirements. Furthermore, Management will continue to manage operations in a disciplined manner and, as required, make any necessary adjustments to its budgetary program to preserve a strong balance sheet.

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 (i.e., the nature of the products and services 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 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[1] by product line, as it believes this additional supplemental information is useful to investors with respect to the development of the business.

In fiscal 2019, revenues amounted to $3,630,317 an increase of $415,288 or 12.9% from the comparative reporting period revenues of $3,215,029. Revenues in the Middle East increased by $618,796 or 26.6% to $2,947,850 compared to $2,329,054 for the comparative fiscal year. Revenues related to Powerwave stimulations for the reporting fiscal year totalled $3,130,893, with revenues of $2,510,014 or 80.2% of those revenues being derived from the Middle East, an increase of $385,988 or 18.2% over the comparative year. The Company continued to strongly focus business development efforts with its Distributors in the Middle East and in fiscal 2019 generated revenues of $1,322,568 in Kuwait, and $1,109,744 in the Kingdom of Saudi Arabia related to Powerwave stimulations.

The Company continues to work on service orders received in other international jurisdictions where it has Distributors including, but not limited to, Oman where it has recognized Powerwave stimulation and IOR/EOR, and Other Technology revenues of $467,352 for fiscal 2019, of which $366,274 relates to a Powerwave IOR/EOR project and $77,701 relates to Powerwave stimulations.

Subsequent to fiscal 2019, the Company announced a two year US $4 million general service agreement ("General Service Agreement") with a Houston based oil and gas producer for the provision of Powerwave stimulation services throughout intercontinental United States of America, and an exclusivity agreement ("Saudi Arabia Exclusivity Agreement") with its local distributor in the Kingdom of Saudi Arabia. The Company anticipates the minimum fees

[1] Gross profit margin is gross profit divided by revenues. Gross profit is a sub total line item in the consolidated statement of net loss and comprehensive loss.

and job requirements under these as well as the Kuwait exclusivity and others agreements will encourage all Distributors to advance commercialization of Powerwave activities in their licensed territories. However, the timelines of the Distributors' activities, and thus, whether and the timing of when Wavefront recognize any revenues that exceed guaranteed minimums remains unknown given, but not limited to the following factors and uncertainties: infancy of the agreements; regional political conflict; trade relations; volatile commodity prices; and other factors which are beyond the Company's and its Distributors control.

The Company believes it currently has sufficient inventory of Powerwave tools to support the overall activities of its current Distributors. However, the timing of Powerwave stimulation within any period and territory may necessitate the acquisition of additional tools or tool components and impact direct and indirect support activities and costs to the Company. In general, costs of sales associated with the General Service Agreement will be higher than when the Company generates revenues with a Distributor; however, the costs will be dependent on the level, number of, and product mix of Powerwave stimulations types provided.

In addition, subsequent to fiscal year ended August 31, 2019, and in regards to the previously announced Powerwave stimulations in Colombia, the Company notes that two Powerwave stimulations have been completed. Revenue recognition for completed stimulations will be in various reporting periods in fiscal 2020. The completion of the remaining Powerwave stimulations will be dependent on the aforementioned factors and uncertainties.

In fiscal 2019 revenues from Distributors totalled $3,338,542 or 92.0% of all revenues. By continuing to leverage Wavefront's distribution network with a strong focus on Powerwave well stimulation, the Company increased its gross profits margin[1] to 86.5% from 82.1% in the comparative year. The Company was able to increase gross margins[2] by $499,089 over the comparative year, while also reducing its general and administrative, sales and marketing, amortization and depreciation, research and development expenses, impairment and loss on disposal of property, plant and equipment by $849,942 from the comparative year, despite the loss on disposal (as noted below) of $258,017 in the comparative year. As a result, the Company's net loss for fiscal 2019 decreased by $1,357,282 or 75.8% to $433,489 (or basic and diluted net loss per share of $0.005), compared to the comparative period where Wavefront reported a net loss of $1,790,771 (or basic and diluted net loss per share of $0.021). For the fiscal year ended August 31, 2019, the Company was also able to generate cash flows from operations of $82,911 an increase of $1,258,975 over the comparative period which saw cash used in operations of $1,176,064. The net increase in cash and cash equivalents for fiscal 2019 was $10,832.

Fourth quarter 2019 revenues (i.e., three months ended August 31, 2019) amounted to $960,356 and were below that anticipated, but remaining relatively stable compared to the fourth quarter 2018 (i.e., three months ended August 31, 2018) revenues of $956,626. Of the revenues for the reporting quarter, $720,829 relates to Powerwave stimulations, with $567,516 of those revenues being derived from the Middle East.

Although fourth quarter revenues were relatively flat, with the focus on Powerwave stimulations, general and administrative, sales and marketing, research and development, amortization and depreciation, and impairment expenses for the fourth quarter ended August 31, 2019, decreased by $423,866 or 32.7% to $873,423, compared to $1,297,289 for the fourth quarter 2018, resulting in a decrease in net losses by $384,916 or 77.4% to $112,539.

[2] 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 revenue. Gross profit margin is calculated by dividing the gross profit by revenue. Gross profit is a sub total line item in the consolidated statement of net loss and comprehensive loss.

Impairment

As at August 31, 2019 and during the year then ended, the Company recorded an impairment expense of $32,170 related to the obsolescence or functionality assessment of specific tools (assets) and the obsolescence of specific inventory items within the Powerwave CGU. Other than the aforementioned impairment of specific Powerwave CGU assets, the Company concluded that no indicators of impairment were present.

CONSOLIDATED RESULTS – FISCAL YEAR ENDED AUGUST 31, 2019

Revenues

Revenues for the fiscal year ended August 31, 2019 amounted to $3,630,317 an increase of $415,288 or 12.9% from the comparative reporting period revenues of $3,215,029. Revenues in the Middle East increased by $618,796 or 26.6% to $2,947,850 compared to $2,329,054 for the comparative fiscal year. Revenues related to Powerwave stimulations for the reporting fiscal year totalled $3,130,893 (2018 - $2,791,042), with revenues of $2,510,014 (2018 - $2,124,026) or 80.2% of Powerwave stimulation revenues being derived from the Middle East, an increase of $385,988 or 18.2% over the comparative year. Powerwave stimulation revenues in Middle East were below volume expectations due to lower than expected Distributor activities primarily in the Kingdom of Saudi Arabia. Subsequent to the fiscal year ended August 31, 2019, the Company renewed its exclusive Powerwave distribution agreement in the Kingdom of Saudi Arabia, with the minimum aggregate job types guaranteed, to establish baseline Powerwave revenues in the Kingdom of Saudi Arabia for fiscal 2020.

North American stimulation revenues totalled $283,560 (2018 - $384,742) and remain behind historical norms, while Powerwave stimulation in other international regions totalled $337,319 (2018 - $282,184). Subsequent to the fiscal year ended August 31, 2019, the Company announced the two year General Service Agreement for the provision of Powerwave stimulations in the intercontinental United States of America, with a guaranteed base consideration of US $2 million per year. The Company expects the General Service Agreement will materially impact North American Powerwave stimulation revenues.

Revenues for fiscal 2019 related to Powerwave IOR/EOR projects totalled $374,489 (2018 - $292,330). The Company's major IOR/EOR project was in Oman and is denominated in United States currency and concluded on August 31, 2019. The Oman IOR/EOR project will not be extended; however, the Company may look at other IOR/EOR projects in the Middle East region and elsewhere internationally. At each reporting date all foreign currency projects are re-valued and translated into Canadian currency. Current exchange rates may impact international IOR/EOR project revenue recognition amounts.

Geographically, $321,235 (2018 – $516,489) in revenue was generated in North America, $2,947,850 (2018 - $2,329,054) in the Middle East, and $361,232 (2018 - $369,486) in other international geographic regions. The geographic revenues are more specifically described as follows:

> **North America**: Revenues in North America decreased by $195,254 to $321,235 compared to $516,489 in comparative fiscal year principally due to the below noted Disposition of the Lloydminster, Alberta location and tubing pumps and bailer CGU (which recorded revenues of $96,450 in fiscal 2018) and the decline of Powerwave stimulation revenues in North America by $101,272 to $283,560 (2018 - $384,832). Other Technology revenues totalled $37,675 (2018 - $35,207).

Middle East: Revenues in the Middle East increased by $618,796 or 26.6% to $2,947,850 (2018 - $2,329,054). Powerwave stimulation revenues in the Middle East increased by $385,988 or 18.2% to $2,510,014 (2018 - $2,124,026); Powerwave IOR/EOR projects revenues totalled $366,274 (2018 - $205,028); and Other Technology revenues totalled $71,562 (2018 - $nil).

Other International: Revenues outside of North America and the Middle East remained flat decreasing by $8,254 to $361,232 (2018 - $369,486). Powerwave stimulation revenues in other international markets increased by $55,135 or 19.5% to $337,319 (2018 - $282,184); Powerwave IOR/EOR projects revenues totalled $8,215 (2018 - $87,302); and Other Technology revenues totalled $15,698 (2018 - $nil).

Cost of Sales

Under IFRS cost of sales includes direct labour, wage benefits and associated stock option benefits, consumable (i.e., inventory) parts, as well as third party installation costs of Powerwave, Other Technology, tubing pump and bailer product lines.

Any losses related to Powerwave projects are immediately recognized and have the effect of increasing direct costs for the period in which they occur or are known to occur. The use of Distributors has resulted in decreases in field labour, field compensation, equipment expenses and consumable parts, as the Distributors are undertaking a greater percentage of these expenses relative to dealing with E&Ps or non-distributor customers. Additionally, where the Company has agreement(s) where there is guaranteed revenues, there may be periods where there may be revenues recorded with no underlying work, and thus, no costs of sale. As a result, the product mix and impact of any revenues recorded with no or little costs of sale, will impact the Company's gross profits[3] and gross profit margin[4].

Cost of sales for the fiscal year 2019 was $490,415 or 13.5% of revenues (2018 - $574,216 or 17.9% of revenues), the change of which include:

i) The comparative period cost of sales were impacted by the higher costs of sale (i.e., higher relative to Powerwave product lines) associated with the Disposition of related assets to tubing pumps and bailer tools;

ii) A one-time expense credit or expense reduction of $29,566 in Powerwave stimulation costs related to the reversal of prior period accruals (i.e., in the first quarter 2019, ended November 30, 2018);

iii) A greater proportion of product revenues being derived from by product streams (i.e., minimum guaranteed licensing or royalty revenues) with $nil or little direct costs (i.e., minimal well modelling, and / or do not require direct labour or inventory for Powerwave tool refurbishing); and,

iv) Fewer Powerwave stimulations requiring any modelling and thus, less direct labour being allocated.

Cost of sales associated with Powerwave IOR/EOR projects totalled $234,046 or 62.5% (2018 - $142,727 or 48.8%), whereas cost of sales for all Powerwave stimulations totalled $214,943 or 6.9% (2018 - $382,166 or 13.7%) of Powerwave stimulation revenues.

[3] 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 revenue. Gross profit is a sub total line item in the consolidated statement of net loss and comprehensive loss.
[4] Gross profit margin is calculated by dividing the gross profit by revenue.

Costs of sales should increase with the aforementioned general service agreement for the provision of Powerwave stimulations in the intercontinental United States of America. Costs of sales variability will however, at least in the near term, be impacted by the Company's product and geographic mixes, distribution channel, and mix of guaranteed revenues where there are no or little costs of sales recognized.

Expenses

General and administrative, sales and marketing, research and development, amortization and depreciation, loss on disposal of property, plant and equipment, and impairment expenses for fiscal 2019, decreased by $849,942 or 19.1% to $3,606,762, compared to $4,456,704 in fiscal 2018. The changes within these expenses were principally a result of the following changes:

i) General and administrative expenses decreased by $557,513 (August 31, 2019 - $2,606,396; August 31, 2018 - $3,163,909). The change in general and administrative expenses was principally a result of the following:

- Bad debt expense decreased by $381,641 to $35,589, and principally related to the Company providing for a full write-off of $431,842 for a client in the comparative fiscal year.

- Office expense decreased by $70,342 to $554,891, and principally relate to the below noted Disposition of the tubing pumps and bailer assets and the assignment of the Lloydminster office and warehouse lease.

- Wages, benefits and contract employee expense decreased by $59,607 to $974,203. The changes within wage and benefit expenses are principally a function of decrease in allocations to other functional expense categories, in particular costs of goods sold and sales and marketing; as overall wage and wage benefits paid (i.e., irrespective of functional allocation amounts, the wage, wage expense and benefit expense, excluding field compensation, amounted to $1,315,168 whereas as fiscal 2018 amounted to $1,497,443), the decrease of which relates to the Disposition of the tubing pumps and bailer and related assets noted below.

- Repairs and maintenance expenses decreased by $55,749 to $81,468, and principally relate to the Disposition of the tubing pumps and bailer and related assets, noted below, and the amount of field work related to that product line.

- Share based payments decreased by $50,587 to $16,240. The current year's share based payments relate solely to the Company issuance of 200,000 stock options to a firm the Company engaged to assist in investment relations. The share based compensation expense for the year was affected by the earlier termination of the investment relation firm, which required the Company to modify its assumption in the calculated expense and resulted in an expense credit of $13,458 in the fourth quarter 2019. At present, there is $nil in unamortized expense to be expensed over future periods.

- Vehicle expenses also decreased by $45,426 to $41,615, and principally relates to the Disposition of the tubing pumps and bailer and related assets, noted below, and the amount of field work related to that product line, and the increase in work being done through Distributors.

- Offsetting the above noted decreases were increases in: public company and listing fees increased by $62,417 to $238,308; professional fees increased by $35,591 to $347,563; and consulting expenses increased by $6,893 to $315,451.

  The increase in public company and listing fees principally relate to hiring of investment relations consultant and increases in independent Board member honorariums in the current fiscal year. The increase in professional fees principally relates to non-capital patent legal expense, consultations with securities lawyers and non-audit accounting fees in the current period. The changes in consulting expenses principally relates to an increase of $6,893 in the current years use of consultants for engineering and indirect sales support, which was offset by the elimination of social media consulting expenses.

  Subsequent to fiscal 2019, the Company elected, effective January 2, 2020, to move from trading on the OTQCX International to trade on the OTCQB Venture Market. The Company's shares will continue to trade under the symbol of WFTSF. The move will save the Company US $8,000 in annual filing fees.

ii) Selling and marketing expenses decreased by $49,553 to $597,588. The decrease principally relates to decreases in travel related expenses to the Middle East of $84,124, but was offset with an increase of $20,967 in meal and entertainment expenses. Offsetting the aforementioned decreases was a 2019 a prior quarters expenditure of $18,722 related to WaveAxe study to validate the micro-fracturing modelling for unconventional reservoirs, an increase in the allocation of wage and entitlement expenses of $20,448. Subsequent to fiscal year end 2019, the Company entered into an additional WaveAxe modelling evaluation to meet the technological objectives of the E&P (end user) in Kuwait.

iii) Amortization and depreciation expense decreased by $42,175 to $227,405, from the comparative period. The lower amortization and depreciation expense is a result of prior period non-cash impairment charges.

iv) Offsetting the above noted expense decreases, and prior to any CGU impairment assessment, the Company undertakes to verify operating functionality and obsolesce assessment of all individual assets. Based on that analysis, as at August 31, 2019, the Company identified certain Powerwave tools and inventory items that were non-functional and recorded an impairment charge of $32,170 (2018 - $nil).

In addition to the above noted changes, the Company saw research and development expenses increase by $24,404 to $142,461. Of the wage expense within research and development $23,843 (2018 - $32,286) relates to labour of a physicist and reservoir engineer that support the Company's Powerwave product line. Other wage expense of $33,707 (2018 - $61,962) and materials consumed of $42,865 (2018 - $27,430) relate to the development of different sized and new Powerwave stimulation and workover tools. Tool development and other research have been managed such that resources are focused on more near term revenues whilst still ensuring Powerwave tools keep step with customer needs.

In addition, and in the comparative period only, the Company incurred a loss on disposal of property, plant and equipment of $258,017. The loss on disposal resulted from the Company's shift in focus to Powerwave stimulations that have more favourable profit margins and a decision to dispose of the tubing pump and bailer CGU, which had a growing trend of unprofitable results. The disposal included: tubing pump and bailer tools at various locations along with certain other property plant and equipment, and inventory, together with the assignment of the Lloydminster field office lease that was assumed by the purchaser (together the "Disposition").

Total consideration for the Disposition was $75,000, which was paid by the purchaser subsequent to the reporting period, with an offsetting recorded net loss on disposal of the property plant and equipment, and inventory of $258,017. The $75,000 consideration was recorded as a receivable as at February 28, 2018 and subsequently collected.

Summary of Disposition	Tools and equipment	Automotive and office equipment	Leasehold improvements	Total
Cost	407,714	73,803	271,728	753,245
Accumulated depreciation	(311,308)	(58,512)	(154,872)	(524,693)
Net book value	96,406	15,291	116,856	228,552
Inventory				104,465
Proceeds				(75,000)
Net loss				(258,017)

Net Finance Section of Income

Financing income of $33,781 (2018 - $20,794) includes interest earned for the reporting period. Interest earned in the current period was higher, as a result of the private placement that was closed and announced on July 17, 2018 and resulting increase in investments and cash inflow since that private placement.

Foreign exchange gains of $5,552 (2018 - $11,083) is a result of the translated difference between spot rates and the average for the year of items in the Company's Canadian entity.

Financing cost of $5,962 (2018 - $6,757) includes interest expense only, and principally, for both fiscal years, relates to interest on insurance financing contracts.

Operating Cash Flows

The following table sets out the cash used in operations for the years ended August 31, 2019 and 2018:

	August 31, 2019	August 31, 2018
OPERATING ACTIVITIES		
Net loss	$ (433,489)	$ (1,790,771)
Amortization and depreciation	227,405	269,580
Impairment of property, plant and equipment	29,012	-
Share-based payments	16,240	73,721
Loss on disposal of property, plant and equipment, and inventory	5,891	264,096
Interest expense	(5,957)	(6,757)
Impact of foreign translation	(14,765)	(2,208)
Changes to loss not including cash		
Change in prepaid expenses	218,130	(225,222)
Change in trade and other receivables	107,678	423,524
Change in deposits	30,188	(20,188)
Interest paid	5,957	6,757
Change in trade and other payables	(17,950)	(422,740)
Change in inventory	(28,118)	(10,955)
Change in unearned revenue	(57,311)	265,099
Cash from (used in) operating activities	$ 82,911	$ (1,176,064)

In addition to the loss on disposal of property, plant and equipment and inventory in 2018 of $258,017 (as noted in the above Disposition), the Company incurred a loss on disposal of property, plant and equipment of $6,079 that was classified as costs of sale in the condensed consolidated interim statement of net loss.

Cash used in operating activities have been and will continue to be impacted by the net changes in non-cash working capital items (see Liquidity section below).

Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for fiscal 2019 decreased by $1,357,282 to $433,489 (or basic and diluted net loss of $0.005 per share), compared to the net loss of $1,790,771 (or basic and diluted net loss of $0.021 per share) for fiscal 2018.

The comprehensive loss for fiscal 2019 decreased by $1,337,348 to $434,449 compared to the comprehensive loss of $1,771,797 for fiscal 2018.

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

The following table sets out the Company's EBITDA loss and EBITDA loss per share for the years ended August 31, 2019 and 2018:

	August 31, 2019	August 31, 2018
Net loss	$ (433,489)	$ (1,790,771)
Amortization and depreciation	227,405	269,580
Interest and tax expense	6,918	6,888
EBITDA	$ (199,166)	$ (1,514,303)
EBITDA loss per share	$ (0.0023)	$ (0.0181)

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

FOURTH QUARTER RESULTS - THREE MONTHS ENDED AUGUST 31, 2019

Revenues

For the fourth quarter ended August 31, 2019 revenues amounted to $960,356, increasing $3,730 over the comparative quarter ended August 31, 2018 that recognized revenues of $956,626. Revenues related to Powerwave stimulations for the fourth quarter 2019 totalled $720,829 compared to $889,655 in the comparative quarter. Powerwave stimulation revenues for the reporting quarter for the Middle East were $567,516 (2018 - $748,460) and below expectations due to lower than anticipated Distributor activity primarily in the Kingdom of Saudi Arabia. North American stimulation revenues totalled $85,787 (2018 - $104,843) and remain behind historical norms, while Powerwave stimulation in other international regions totalled $67,526 (2018 - $36,352).

For the fourth quarter 2019 revenues related to Powerwave IOR/EOR projects totalled $191,342 (2018 - $66,971). The Powerwave IOR/EOR revenues relate IOR/EOR project was in Oman and concluded on August 31, 2019.

Geographically, $85,787 (2018 – $104,843) in revenue was generated in North America, $807,043 (2018 - $815,431) in the Middle East, and $67,526 (2018 - $36,352) in other international geographic regions. The geographic revenues are more specifically described as follows:

North America: Revenues in North America decreased by $19,056 to $85,787 (2018 - $104,843). Powerwave stimulation revenues in North America totalled $85,787 (2018 - $104,843) and have still to return to historical norms. Subsequent to the reporting quarter, the Company announced the two year General Service Agreement for US $2 million per year. The Company expects the General Service Agreement will materially impact North American Powerwave stimulation revenues.

Middle East: Revenues in the Middle East decreased by $8,388 to $807,043 (2018 - $815,431). Powerwave stimulation revenues in the Middle East totalled $567,516 (2018 - $748,460); Powerwave IOR/EOR projects revenues totalled $191,342 (2018 - $66,971); and Other Technology revenues totalled $48,185 (2018 - $nil). Powerwave stimulation revenues in Middle East were below volume expectations due to lower than expected Distributor activities primarily in the Kingdom of Saudi Arabia. The Company believes that the renewed exclusive Powerwave distribution agreement in the Kingdom of Saudi Arabia, entered into at the end of the fourth quarter 2019, with the minimum aggregate job types guaranteed, will establish a baseline for Powerwave revenues in the Kingdom of Saudi Arabia for fiscal 2020.

Other International: Revenues outside of North America and the Middle East increased by $31,174 or 85.8% to $67,526 (2018 - $36,352). Powerwave stimulation revenues in other international markets totalled $67,526 (2018 - $36,352).

Cost of Sales

Cost of sales for the fourth quarter ended August 31, 2019 were $176,084 or 18.3% of revenues (2018 - $173,076 or 18.1% of revenues), which is principally a result of:

i) A greater proportion of product revenues being derived from by product streams (i.e., minimum guaranteed licensing or royalty revenues) with $nil or little direct costs (i.e., minimal well modelling, and / or do not require direct labour or inventory for Powerwave tool refurbishing); and

ii) Fewer Powerwave stimulations being modelled and thus, less direct labour being allocated.

Cost of sales associated with Powerwave IOR/EOR projects totalled $93,581 or 48.9% (2018 - $52,879 or 48.8%), whereas cost of sales for all Powerwave stimulations totalled $49,723 or 6.8% (2018 - $120,197 or 13.5%) of Powerwave stimulation revenues.

Expenses

General and administrative, sales and marketing, research and development, amortization and depreciation, and impairment expenses for the fourth quarter ended August 31, 2019, decreased by $423,866 or 32.7% to $873,423, compared to $1,297,289 for the fourth quarter ended August 31, 2018. The changes within these expenses were principally a result of the following changes:

v) General and administrative expenses decreased by $479,676 or 45.0% (August 31, 2019 - $586,627; August 31, 2018 - $1,066,303). The change in general and administrative expenses was principally a result of the following:

- Bad debt expense decreased by $382,163 to $34,894, and relates to the Company providing for a full write-off of $431,842 for a client in the comparative period, while providing for a full write-off of $34,894 for a different client in the current fiscal period.

- Wages, benefits and contract employee expense decreased by $98,203 to $238,576. The changes within wage and benefit expenses are principally a function of decrease in allocations to other functional expense categories, in particular costs of goods sold and sales and marketing; as overall wage and wage benefits paid.

- Share based payments decreased by $36,859 to a credit expense of $13,458. The current period's share based credit expense relates to the earlier termination of the investment relation firm, which required the Company to modify its assumption in the calculated expense and resulted in an expense credit of $13,458 in the fourth quarter 2019. At present, there is $nil in unamortized expense to be expensed over future periods.

- Repairs and maintenance expenses decreased by $11,185 to $14,509, and principally relate to the Disposition of the tubing pumps and bailer and related assets, noted below, and the amount of field work related to that product line.

- Vehicle expenses also decreased by $2,497 to $10,425, and principally relates to the Disposition of the tubing pumps and bailer and related assets, noted below, and the amount of field work related to that product line, and the increase in work being done through Distributors.

- Offsetting the above noted decreases were increases in: professional fees increased by $24,060 to $63,254; office increased by $12,608 to $137,720; consulting fees increased by $2,122 to $62,359; and other expenses had net increase of $133.

vi) For the quarter ended August 31, 2019, only, the Company recorded an impairment expense of $32,170 related to the obsolescence or functionality assessment of specific assets and certain inventory items within the Powerwave CGU.

vii) Selling and marketing expenses increased by $13,923 to $135,779. The increase principally relates to increases in travel related expenses which are mainly related to supporting sales in the Middle East of $14,151, and an increase of $1,577 in meal and entertainment expenses. Offsetting the aforementioned increases was a decrease in the allocation of wage and entitlement expenses of $1,322.

viii) Amortization and depreciation expense increased by $7,867 to $63,988, from the comparative period. The lower amortization and depreciation expense is a result of prior period non-cash impairment charges.

ix) Research and development expense increased by $1,850 to $54,859.

Net Finance Section of Income

Financing income of $8,719 (2018 - $9,164) includes interest earned for the reporting period. Interest earned in the current period was higher, as a result of the private placement that was closed and announced on July 17, 2018 and resulting increase in investments and cash inflow since that private placement.

Foreign exchange loss of $31,147 (foreign exchange gain in 2018 - $8,501) is a result of the translated difference between spot rates and the average for the year of items in the Company's Canadian entity.

Financing cost of $960 (2018 - $1,381) includes interest expense only, and principally, for both reporting periods, relates to interest on insurance financing contracts.

Operating Cash Flows

The following table sets out the cash used in operations for the fourth quarters ended August 31, 2019 and 2018:

	August 31, 2019	August 31, 2018
Net loss	$ (112,539)	$ (497,455)
Amortization and depreciation	63,988	56,121
Impairment of property, plant and equipment	29,012	-
Impact of foreign translation	10,192	(14,721)
Loss on disposal of property, plant and equipment, and inventory	471	-
Interest expense	(955)	(1,381)
Share-based payments	(13,458)	23,401
Changes to working capital items		
Change in trade and other receivables	106,778	606,111
Change in prepaid expenses	99,148	63,884
Change in inventory	46,302	(18,531)
Change in deposits	10,000	(20,188)
Interest paid	955	1,381
Change in unearned revenue	(101,992)	172,346
Change in trade and other payables	(147,222)	(176,518)
Cash from (used in) operating activities	$ (9,320)	$ 194,450

Cash used in operating activities were negatively impacted by net changes in working capital items (see Liquidity section below).

Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for the fourth quarter ended August 31, 2019 declined by $384,916 or 77.4% to $112,539 (or basic and diluted net loss of $0.001 per share), compared to net loss of $497,455 (or basic and diluted net income of $0.006 per share) for the comparative quarter ended August 31, 2018.

The comprehensive loss for the fourth quarter ended August 31, 2019 $116,225 compared to the comprehensive loss of $500,979 for the comparative quarter ended August 31, 2018.

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

The following table sets out the Company's EBITDA loss and EBITDA loss per share for the fourth quarter ended August 31, 2019 and 2018:

	August 31, 2019	August 31, 2018
Net Loss	$ (112,539)	$ (497,455)
Amortization and depreciation	63,988	56,121
Interest and tax expense	1,816	1,237
EBITDA	$ (46,735)	$ (440,097)
EBITDA per share	$ (0.0005)	$ (0.0053)

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 '19	3rd Qtr May 31 '19	2nd Qtr Feb 28 '19	1st Qtr Nov 30'18	Fiscal 2019
Fiscal 2019					
Revenue	$ 960,356	$ 831,321	$ 894,887	$ 943,753	$ 3,630,317
Net Loss	$ (112,539)	$ (31,180)	$ (243,823)	$ (45,947)	$ (433,489)
Basic & diluted loss per share	$ (0.001)	$ (0.0004)	$ (0.0028)	$ (0.001)	$ (0.005)
Common shares outstanding					
Weighted average shares outstanding	87,540,244	87,529,350	87,507,380	87,442,903	87,540,244

	4th Qtr Aug 31 '18	3rd Qtr May 31 '18	2nd Qtr Feb 28 '18	1st Qtr Nov 30'17	Fiscal 2018
Fiscal 2018					
Revenue	$ 956,626	$ 1,125,103	$ 856,633	$ 276,667	$ 3,215,029
Net Income (Loss)	$ (497,456)	$ 54,383	$ (511,095)	$ (836,603)	$ (1,790,771)
Basic & diluted income (loss) per share	$ (0.006)	$ 0.001	$ (0.006)	$ (0.010)	$ (0.021)
Common shares outstanding					
Weighted average shares outstanding	83,530,011	82,966,588	82,956,240	82,956,240	83,530,011

Note 1: All amounts in Canadian dollars except share data

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total current assets decreased by $284,386 to $3,340,462 from the prior year end. The net decrease in current assets principally relates to the decreases in trade and other receivables of $107,678 and decreases in prepaid and other current assets of $218,130. The decreases in prepaid expenses and other current assets of $218,130 principally relates to the

conclusion of the Powerwave IOR/EOR project in Oman effective August 31, 2019, which resulted in $162,759 in prepaid expenses being recognized throughout the current fiscal year as costs of goods sold.

Changes within trade and other receivables reflect timing differences in the underlying work or services being performed and the issuance of invoices and collecting of receivables, the logistics of client payable processes, and our financial accounting policy of recognizing Powerwave revenues and direct costs equally over the term of the contracts. Trade and other receivables amounted to $594,728, a decrease of $107,678 from the comparative year ended August 31, 2018, and relates to Company's increased focus on ensuring receivables remain current.

Offsetting the aforementioned decreases in current assets, $10,832 relates to increases in cash and cash equivalents, and increases in inventory of $30,590. The increase in cash resources relates to increases of $82,911 of cash from operating activities and net proceeds of $43,500 from option exercises by a Director of the Company, which were offset by purchases of property, plant and equipment of $134,702.

Property, plant and equipment included a decrease of $135,396, of which $227,405 is due to amortization and depreciation, $29,012 in asset impairments, and $12,029 in net asset disposals. Offsetting these asset reductions were $132,229 in asset purchases and $821 in foreign exchange gains.

Liabilities

Total liabilities decreased by $75,261 from the prior fiscal 2018 to $853,850 for fiscal 2019. Of the changes in liabilities, trade accounts payable remained relatively stable decreasing $7,056 (2019 - $163,712; 2018 - $170,768), trade accruals decreased by $356,744 to $328,345, with employee expenses and entitlements increasing by $23,539 to $96,693. Offsetting these decreases were decreases of $57,311 in unearned revenue. Of the decrease in unearned revenue of $57,311, the change relates to the recognition of $156,051 IOR/EOR contract revenue which was received ahead of revenue recognition, which was offset by increases of $138,100 pertaining to changes in international withholding taxes.

Liquidity

The following table presents working capital information as at August 31, 2019 and August 31, 2018:

	As at August 31, 2019	As at August 31, 2018	Change
Current assets	3,340,462	3,624,848	(284,386)
Current liabilities	(853,850)	(929,111)	75,261
Working capital[1]	2,486,612	2,695,737	(209,125)

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

The net change in working capital is principally a result of the aforementioned decreases in prepaid expenses and other current assets of $218,130, decrease of trade and other accounts receivable of $107,678, decrease in unearned revenue of $57,311, but was offset by increases in inventories of $30,590, trade and accounts payable of $17,950, and cash and cash equivalents of $10,832.

Working capital as at August 31, 2019 remained relatively stable, decreasing by $40,858 from the prior quarter ended May 31, 2019 of $2,527,470.

Wavefront believes that its working capital position will continue to fluctuate and that the Company's cash flow will be affected by the degree of Powerwave commercialization; distributor activity levels; and, the mix between Powerwave product lines.

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 December 19, 2019, Wavefront had $2,475,122 of cash and cash equivalents on hand. Of the cash on hand, Wavefront has $1,819,246 in a high interest daily savings account with National Bank Financial with annualized interest rate ranging between 1.85% and 1.95%.

Credit risk of any deposits is linked to the insurance coverage limits as prescribed by the Canadian Deposit Insurance Corporation, and that of Toronto-Dominion Bank and the National Bank Financial.

It is anticipated that cash from operations will continue the recent positive trend as Powerwave continues to be commercialized. However, given potential trade conflicts, commodity markets, and the Company's reliance on a few key customers, there exist some uncertainties in the market beyond Management's control. Should certain expected cash inflows not materialize in the amounts or at the times expected, or should the working capital be significantly reduced in the coming fiscal year, the Company may consider seeking additional financings or a restructuring of operations at that time. Wavefront may also consider future financings based on any need to increase working capital, to finance Powerwave tools, accelerate commercialization, or for acquisitions, and may 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. and other relevant financing factors.

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

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:

		Payment Due Period			
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	Greater than 5 Years
Operating lease obligations	$ 336,073	$ 246,167	$ 89,906	$ -	$ -

Note 1: In a prior year, the Company entered into a new office and warehouse lease for its Edmonton, Alberta operations. 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 $305,683 over the balance of the term.

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 Mr. Roger Kazanowski, a Director of the Company, to act as an advisor to senior management in relation to strategic planning and marketing. Mr. Kazanowski was remunerated a monthly consulting fee of US $5,000 per month. During the year ended August 31, 2019, the Company recorded $6,628 (August 31, 2018 - $76,670) in consulting expense, with $nil (August 31, 2018 - $nil) included in accounts payable. Effective September 30, 2018, the Consulting Agreement was terminated.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

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 technology suite, 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.

Commodity Markets - The marketability of the Company's products and services could be affected, directly or indirectly, by significant declines or volatile swings in, and /or sustained lower oil prices, which may adversely affect Wavefront's business, operating results, and financial condition.

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.

Dependence on Management - The Company is dependent on a relatively small number of key employees, including, without in any way limiting the foregoing, the President and Chief Executive Officer and the Chief Financial Officer, the loss of any of whom could have a significant and material adverse effect on the Company.

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 clients, 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 oil and gas 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.

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.

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

Information Technology and Disaster Recovery – The efficient operation of the Company's business is dependent upon computer hardware and software systems. These information systems may be vulnerable to security breaches by computer hackers and cyber terrorists. In addition, an unforeseen natural or manmade disaster could result in key information technology systems being compromised, damaged, or destroyed.

The Company has implemented security measures to maintain confidential and proprietary software, designs and information stored on or operating on the Company's information systems. However, these measures and

technology may not be adequate due to the increasing volume and sophistication of potential cyber attacks. The Company has also implemented backup and redundancy measures with respect to certain information technology systems. However, there is a risk that these measures may not adequately prevent data loss or theft or damage of proprietary information or software as a result of security breach or disaster. This could result in business disruption, decreased performance, or increased costs, and could have a material adverse affect on the Company's business, financial condition, results of operation, cash flows, or reputation. The Company maintains stand alone cyber insurance; however, there can be no assurance that the type and / or amount of coverage will adequately cover any potential losses the Company may suffer.

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 any or all adverse affects and, accordingly, the Company may suffer losses.

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. Subsequent to the year end, the Company acquired key person insurance on three individuals, including key Management, of Wavefront.

Market Acceptance –Powerwave's acceptance will be dependent on the Company consistently demonstrating the benefits of its core technology under a variety of field and reservoir 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.

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, to fund the Company as a going concern, 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.

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.

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.

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.

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.

Trade Relations – The Company markets its products and services in the global market place. The Company's manufactured products and personnel's access to these markets could be from time to time affected, directly or indirectly, by changes in governmental relations in the countries in which it operates in or plans to operate in. Wavefront's business, operating results, and financial conditions may be materially adversely affected by changes in trade relations.

ENVIRONMENTAL RISK

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

operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. Contingency plans are in place for a timely response to an environmental event.

The Company is exposed to physical risk that may arise due to Powerwave's potential damage of a well, and litigation risks related to the use of Powerwave to inject fluids into the ground which may cause harm to overlying geological strata. These inherent risks may also create a reputational risk to the Company and its suite of technologies.

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 Judgments" of the Consolidated Financial Statements for the year ended August 31, 2019.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies are disclosed in Note 4, "Changes In Accounting Policies And New Standards Issued But Not Yet Adopted", of the Consolidated Financial Statements for the year ended August 31, 2019.

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

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.

		2019		2018		2017
Revenues	$	3,630,317	$	3,215,029	$	2,167,540
Net loss	$	(433,489)	$	(1,790,771)	$	(3,710,094)
Basic and diluted loss per share	$	(0.005)	$	(0.021)	$	(0.044)
Weighted average number of common shares outstanding[1]		87,540,244		83,530,011		82,956,240
Working capital	$	2,486,612	$	2,695,737	$	2,686,828
Total assets	$	4,175,964	$	4,625,934	$	5,236,484
Total long term financial liabilities	$	nil	$	nil	$	nil
Total liabilities	$	853,850	$	929,111	$	1,086,753
Shares outstanding at August 31[1]		87,572,573		87,372,573		82,956,240

Note 1: In Canadian dollars, except share data

DESCRIPTION OF SHARE CAPITAL

As at August 31, 2019, Wavefront's share capital consisted of the following:

Common shares		
Authorized:		unlimited
Issued and outstanding:		
Free trading		87,572,573
Convertible into common shares		
Share purchase warrants	4,341,333	
Incentive stock options	2,775,000	
		7,116,333
Fully diluted share capital:		94,688,906

As at December 19, 2019, Wavefront's number of issued and outstanding shares is 87,572,573.

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 OTCQX International under the symbol WFTSF. The Company will migrate, effective January 2, 2020, to trade on the OTCQB Venture Market where filing fees are 40% less.

Warrants granted during the period

No warrants were granted during the reporting quarter.

Warrants outstanding

As at August 31, 2019

Date Granted	Expiry Date	Number of Warrants	Exercise Price per Share $
July 17, 2018	July 17, 2019	(155,610) [1]	0.45
July 17, 2018	July 17, 2020	4,496,943 [2]	0.45
		4,341,333	

Notes:

1 During the fiscal year 2019 the 155,610 broker share purchase warrants issued in connection with the Private Placement on July 17, 2018 of 4,341,333 units of the Company expired unexercised.

2 During the fiscal year 2019, the Company elected under TSX Venture Exchange policy 4.1 s3.1 to extend the expiry term of the Warrants, originally issued in connection with the Private Placement on July 17, 2018 of 4,341,333 units of the Company, from July 19, 2019 to July 19, 2020, with all other terms remaining the same. The subscribers of the Private Placement received 4,341,333, i.e., the balance of the warrants. Each of the Warrant being exercisable for one common share of the Company at an exercise price of $0.45 with an amended expiry of July 17, 2020; provided that, commencing on the date that is four months and one day after the closing of the Offering, if the volume weighted average trading price of a common share on the Exchange is at a price equal to or greater than $0.65 for a period of more than 20 consecutive trading days.

Options granted during the period

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 not be less than the "Discounted Market Price" (as defined in the policies of the TSX Venture Exchange), provided that the exercise price shall not be less than $0.05 per share. 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.

Options outstanding

As at August 31, 2019

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share $
March 17, 2015	March 17, 2020	800,000	0.12
August 4, 2016	August 4, 2026	1,900,000	0.28
January 6, 2017	January 6, 2027	75,000	0.35
		2,775,000	

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 IFRS.

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 19, 2019, 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).