Wavefront Technology Solutions Inc.

Annual Report
For the fiscal
year ended
August 31, 2014



The following discussion and analysis of financial results should be read in conjunction with the audited financial statements and the accompanying notes for the year ended August 31, 2014 and is based on information available to December 17, 2014. Additional information on Wavefront Technology Solutions Inc.'s (the "Company" or "Wavefront") is available on SEDAR at www.sedar.com.

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

MANAGEMENT'S RESPONSIBILITY

Management has prepared this Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Wavefront Technology Solutions Inc.'s (the "Wavefront" or "the Company") financial results prepared in accordance with IFRS. The MD&A primarily compares the audited financial results for the fourth quarter and twelve months ended August 31, 2014 to August 31, 2013. 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 27). 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 Management's Discussion and Analysis.

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

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

NON-IFRS MEASURES

The Company uses both IFRS and additional and non-IFRS measures to make strategic decisions, set targets and are used 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", "core revenues", "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;

- Core revenues, are revenues derived directly or indirectly from Wavefront's technologies, include revenues attributed to Powerwave, Primawave, tubing pumps and bailers, and exclude oil and gas production revenues. Other technologies revenue consists of Primawave and Performance Drilling revenues. Core revenues and Other technologies revenues are non-IFRS measure with the most comparable IFRS measure being revenues, and,

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

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

OVERVIEW OF BUSINESS

Wavefront's business operates in a market where there is increasing demand to bring economically beneficial solutions to exploration and production companies to maximize oil and gas productivity. Central to Wavefront's broad intellectual property portfolio is the fluid delivery process, Powerwave that encompasses a client's post exploration operations.

With projects and/or marketing affiliations in ten countries, Wavefront focuses on two primary areas to maximize oil and gas productivity:

i. Oil and gas well stimulation (revitalizing individual well productivity); and,

ii. Enhanced Oil Recovery ("EOR") by improving fluid flow through the oil reservoir.

A single well stimulation is a remedial operation performed on a producing well to restore or enhance productivity. In some instances a chemical is pumped into the well to stimulate a producing 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 EOR flooding operations (i.e. waterflooding) that can last much more than a decade.

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

EOR (including waterflooding) targets oil trapped in the nooks and crannies of a reservoir which are very difficult to produce due to various physical limitations. The common theme in all EOR (except acoustic or electromagnetic) projects are the injection of a fluid to mobilize the trapped oil.

[1] Ducker Worldwide, LLC 2014

It is well established that many once-prolific oil fields are reaching or have reached maturity with production rates from these fields in steady decline. Not so widely known is that even after many stages of production, up to 60% of all oil remains stranded in these fields. Advanced technologies such as Powerwave that can unlock and mobilize the stranded oil hold significant promise to maximize overall oil recovery from reservoirs.

In North America there are 166,401 active wells[2] used to inject water, polymers, surfactants, and combinations thereof. These wells are heavily concentrated in Alberta, California, and Texas.

OUTLOOK

Wavefront has a global market opportunity within the oil industry and focus continues on positioning the Company to capitalize on growth opportunities. The Company believes there are two industry segments that may provide sizeable opportunities: the $126 billion EOR market[3], to which the Company believes that no competitor has a similar, diverse portfolio of unique fluid injection methodologies, tools, and know-how proven to maximize reservoir recovery; and the well stimulation market with an estimated +250,000[4] well stimulations performed annually. The sum of the two industry opportunities is extensive thus when Powerwave is fully commercialized, Wavefront may have sizeable upside revenue generation potential.

In the near term, Wavefront's operations in both Canada and the United States remain concentrated with a few key customers and our revenues are subject to fluctuations in customers operating activity in the areas in which we are servicing them. Levels of activity can be impacted by numerous factors including, but not limited to, the continued volatility in commodity pricing which has seen oil prices fall over 40% since the summer of 2014; client operational difficulties, project scheduling infrastructure limitations, and budgetary priorities. The Company does not expect the North American EOR activity to grow for the remainder of fiscal 2015, however this may be offset by gains in the international EOR market where activity is on the rise. Additionally, with drilling budgets being reduced oil companies will focus on existing wells to maintain overall production levels. To this end Wavefront's Powerwave stimulation tools may have increased desirability as individual well productivity enhancement will be pivotal for oil production output. Overall financial results may also remain susceptible to technology adaption rates, client project scheduling, direct and indirect competition, and pricing pressure from customers in a low dollar oil environment.

To manage costumer reliance, Wavefront will also look to diversify the customer base within North America. Wavefront increased its presence in the Alberta, Texas, California, and Rocky Mountain regions. Outside of North America, in markets such as, Saudi Arabia, Oman, United Arab Emirates, Colombia, Argentina, Brazil, Mexico, and Romania the Company collaborates with third-party marketing partners to drive local market penetration.

Wavefront is committed to reducing expenses, improving performance, increasing market penetration, and creating shareholder value. By focusing Powerwave marketing within two large dollar value oil industry verticals, Wavefront is seeking to minimize technology risk and accelerate commercialization timelines. We remain confident that with our know-how as well as the experience and positioning of our marketing partners that over the long-term our Company will continue to succeed to grow market penetration in key geographical areas.

[2] Ducker Worldwide, LLC 2014
[3] PRNewswire September 2012, announcing Reportlinkers 2012 Enhanced Oil Recovery, 2nd Edition report
[4] Ducker Worldwide, LLC 2014

Should however, the industry continue to experience economic adversities, Wavefront may ensure its sustainability by rationalizing and focusing its resources on the markets and products that provide positive contribution margins. This may also provide a scalable base on which to help accelerate other products that are at the early commercialisation stage.

Impairment

The Company assessed impairment indicators for the Powerwave, Performance Drilling, Primawave, and Tubing Pump and Bailers CGUs as at August 31, 2014. Other than the carrying amount of net assets exceeding market capitalization, the Company concluded no additional impairment indicators were present at August 31, 2014, and as such, the determination of the recoverable amount for the Powerwave, Primawave and Performance Drilling CGUs was not required.

The Company assessed impairment indicators for the Powerwave, Performance Drilling, Primawave, and Tubing Pump and Bailers CGUs as at August 31, 2014. Other than the carrying amount of net assets exceeding market capitalization, the Company concluded no additional impairment indicators were present at August 31, 2014. The determination of the recoverable amount for the CGUs were reviewed at August 31, 2014 and the Company concluded there were no changes in key assumptions used in the determination of the recoverable amounts from those used in the determination of the recoverable amounts as at May 31, 2014, resulting in no additional impairment as at August 31, 2014.

Subsequent to year end, as a result of market conditions (such as the carrying amount of net assets exceeding market capitalization, the drop in and volatility in oil prices, and the changes to operating and capital budgets of exploration and production ("E&P") company budgets), impairment indicators were present that required the Company to re-assess recoverable amounts with new market influences information. Although the Company believes future impairment may not be required, the re-assessment of recoverable amounts may result in impairment in subsequent periods.

Continued adverse market conditions may however, require the Company to test for the recoverable amounts, which may result in impairment in subsequent periods.

OVERALL RESULTS FROM OPERATIONS

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

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

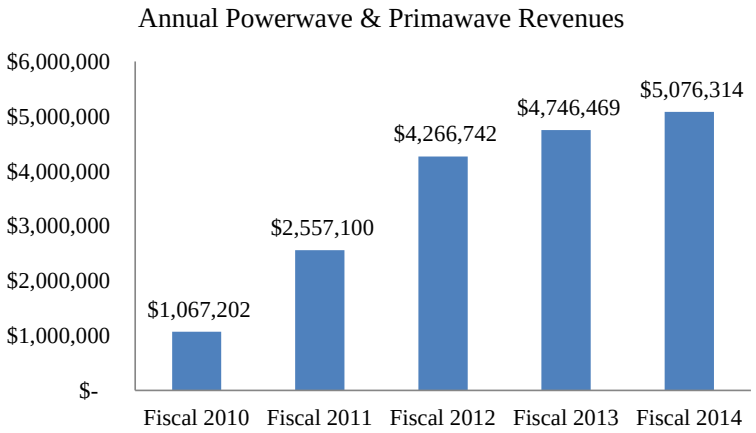
Within this MD&A, however, Wavefront provides additional product level information such as revenues by product line and geography, and gross profit margins by product line, which are within its one reportable segment, as it believes this additional information is useful supplemental information to investors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

In fiscal 2014, with the full-implementation of its realigned strategy Wavefront's total revenue amounted to $5,879,549, which was relatively flat compared to the comparative period that reported total revenues of $5,909,950 despite declining commodity prices, heavy oil price differentials and international project delays.

Fourth quarter gross revenues (i.e., three months ended August 31, 2014) amounted to $1,486,805, which was also relatively flat compared to revenue of the prior quarter (i.e., three months ended May 31, 2014) of $1,499,056. The slight decrease in quarter-over-quarter revenues is primarily attributed to lower EOR gross revenues in North America and tubing pump and bailer revenues.

With specific concentration on increasing market penetration for Wavefront's stimulation suite of tools the Company believed that this may, in the short term, affect Powerwave EOR revenue growth. This strategic decision has shown to be positive as Powerwave well stimulation gross revenue increased $544,667 or 24.7% in fiscal 2014 to $2,751,073 from $2,206,406 in fiscal 2013.

Revenues for the year ended August 31, 2014 for Powerwave and Primawave approximated $5,076,314 or 86.3% of revenues; whereas in the comparative reporting period, Powerwave and Primawave approximated $4,746,469 or 80.3% of revenues. Powerwave revenue growth continues as applications are diversified and strengthened.



Internationally Wavefront has confirmed Powerwave contracts in Argentina, Colombia, Mexico, and Brazil as well as an expanded Powerwave program for Oman. In all countries but Brazil these contracts are entered into with oil producers through the Company's third-party representatives or distributors. These representatives and distributors are "Powerwave Certified Providers" and act as our Company's "boots on the ground" functioning as Wavefront's daily marketing arm, holders of inventory, and personnel for Powerwave related work. Representatives and distributors are compensated through Powerwave sales and as Powerwave becomes more established, these groups will play a pivotal role in accelerating revenue growth in their respective countries.

Fourth quarter and fiscal year end 2014 revenues continued to be affected by timing and logistics issues for the installation of international EOR projects. However, the Company anticipates increased international EOR activity in these previously announced projects as they are expected to commence during the first calendar quarter of 2015.

In Colombia the Company commenced recognizing revenue related to an Ecopetrol contract valued in excess of $1 million in the 4th fiscal quarter 2014. The Company anticipates that in the first calendar quarter of 2015 it will begin to recognize revenue related to the delayed projects with Pan American Energy and Petrobras in Argentina and Brazil

respectively. These combined approximate gross revenues that the Company will recognize over the term of the contracts is in excess of $2,000,000.

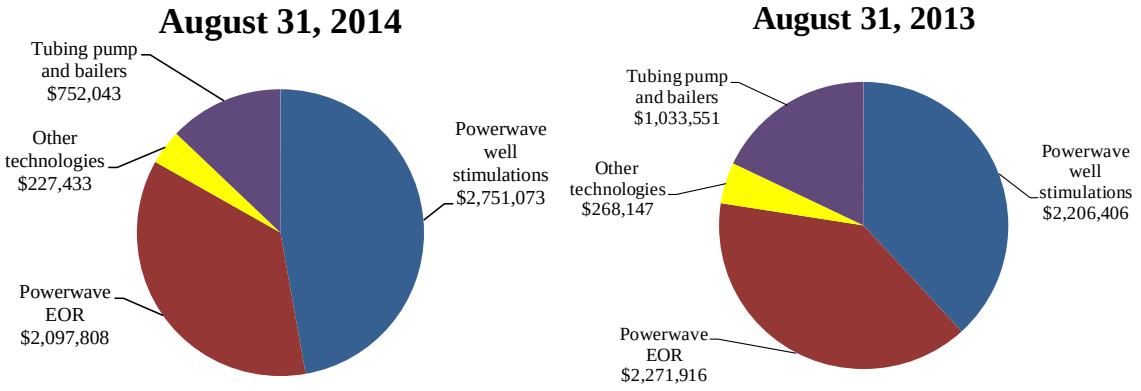
Subsequent to the fiscal year ended August 31, 2014 the Company entered into two agreements that it believes may advance Powerwave well stimulation revenue moving forward. These agreements include:

1. Entered into a technology co-ownership agreement with a Canadian integrated energy company to adapt existing Powerwave technology to Steam Assisted Gravity Drainage ("SAGD") operations. Pilot testing of the SAGD approach will commence once all engineering facets of the technique have been completed, the appropriate well candidates identified, and a rigorous monitoring program defined; and,
2. Entered into an agreement to provide Powerwave technology to a top-tier service provider for its operations in the United Arab Emirates ("UAE"). Under the terms of the agreement Wavefront will provide tools and training at a fixed monthly rate and will be paid fifty (50%) per cent of the total monthly revenue related to Powerwave well stimulations generated by the service provider.

Consolidated Results – fiscal year ended August 31, 2014

Revenues

Revenues for the fiscal year ended August 31, 2014 were $5,879,549, remaining relatively flat over the comparative period in 2013 that recognized revenues of $5,909,950. Core revenues totalled $5,828,357, remained relatively stable increasing $48,337 over core revenues of $5,780,020 for the comparative period. The changes in product line mix can be characterized as follows:



Revenue attributed only to Powerwave product lines were $5,006,649, an increase of $378,000 or 8.2% over revenues in the comparative period of $4,628,649. 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 EOR applications.

For fiscal 2014, Powerwave revenues related to well stimulations totalled $2,751,073, an increase of $544,667 or 24.7% over revenues of $2,206,406 in the comparative period.

For fiscal 2014 the total revenue of EOR Powerwave projects totalled $2,097,808 compared to $2,271,916 in the comparative period. Lower EOR gross revenues were principally due to lower revenues in Canada and the United States. These lower revenues however, were partial offset by increases in international EOR revenues despite the client delayed installations: Petrobras in Brazil; Ecopetrol in Colombia; and, Pan American Energy in Argentina. As the Company moves forward it anticipates positive revenue growth in the focused Powerwave marketing verticals of well stimulation and international EOR. Other Technology revenues, comprised of Primawave and Performance Drilling, for fiscal 2014 totalled $227,433 (2013 - $268,147).

For fiscal 2014, revenues from the tubing pumps and bailer product line totalled $752,043, a decrease of $281,508 compared to $1,033,551 in the comparative period. Tubing pumps and bailer revenues are comprised of tool rental, delivery and refurbishment fees.

During the fiscal year ended August 31, 2014, the Company also recognized production and operator revenues of $51,129 related to the Rodney South venture, which was sold in the current year. In the comparative year the Company recognized production and operator revenues of $121,931 related to the Rodney South venture, and $7,969 related to the Rogers County venture, the latter of which was sold in the comparative year.

Geographically, $2,529,873 (2013 – $3,602,796) in revenue was generated in Canada, $2,382,008 (2013 - $1,503,680) from the United States, and $967,668 (2013 - $803,474) internationally. The geographic revenues are more specifically described as follows:

Canada. Gross revenues in our Canadian operation decreased by $1,072,923 to $2,529,873 compared to $3,602,796 in fiscal 2013. The Company believes revenues were negatively impacted by a decline in client heavy oil related operations such as drilling and production optimization (well stimulation and pumping solutions) due to the decline and volatility in commodity prices, and the heavy to light oil price differential as these companies sought to minimize operating related expenses.

Powerwave EOR applications revenues totalled $1,024,500 (2013 - $1,464,726); Powerwave well stimulation revenues totalled $672,330 (2013 - $968,600); Other technologies totalled $29,808 (2013 - $13,685); tubing pump and bailer revenues totalled $752,043 (2013 - $1,033,551); and oil production revenue totalled $51,192 (2012 - $121,961).

Historically, in Canada, the Company has had much success in the non-thermal heavy oil belt of the Western Canadian Sedimentary Basin. This region is where the Company found the roots to Powerwave EOR having its initial research and development pilot program in Islay, Alberta with the now defunct Wascana Energy. With several other research pilot programs thereafter Wavefront launched a commercial pilot program in Wainwright, AB. It is within the same sector that the Company built-out its well stimulation offering as well as its tubing pump and bailer rental product line.

The conventional heavy oil market has not been without its ups and downs; economics of resource plays among other issues largely impacted by the differential price between the bench mark oil prices of West Texas Intermediate ("WTI") and Western Canadian Select ("WCS"). The gap between WTI and WCS narrows with lower WTI oil prices. Over the past three calendar years the price differential has been: 2012 - $21.03; 2013 - $25.20; and, 2014 (9 month ended September 30) $21.12[5]. As stated above, the impact of the differential leads

[5] Baytex Energy, October 2014

to many operators cutting operational costs. The Company believes this reality has adversely impacted revenue generation in all product lines within its Canadian operations.

To this end the Company has moved to increase market penetration of its Powerwave offering in areas such as the light oil plays of west central and eastern Alberta, unconventional plays in southern Saskatchewan and Manitoba, and thermal heavy oil operations.

In line with the above Wavefront recently opened a depot in Saskatchewan to service the continuing growing market of the Bakken (Williston Basin) oil play. The Company is also putting a strong push into the heavy oil thermal market with its technology co-ownership and commercial agreements with a Canadian Integrated oil producer. These agreements are based on two jointly submitted USPTO patent applications aimed at reducing start-up time from drilling to production in Steam Assisted Gravity Drainage well pairs. The applications include: (1) A Method For Determining Regions For Stimulation Along Two Parallel Adjacent Wellbores In A Hydrocarbon Formation; and, (2) A Method For Determining Regions For Stimulation Along A Wellbore Within A Hydrocarbon Formation, and Using Such Method To Improve Hydrocarbon Recovery From The Reservoir.

United States. Gross revenues in our US operation increased by $878,328 to $2,382,008 (2013 - $1,503,680). Powerwave EOR applications revenues totalled $280,607 (2013 - $371,784); Powerwave well stimulation revenues totalled $1,917,943 (2013 - $896,462); Other technologies totalled $183,458 (2013 - $227,465); and oil production revenue totalled $nil (2013 - $7,969). The Company's focus in the United States is on Powerwave well stimulation activities primarily in Texas and California.

International: Gross revenues outside our Canadian and US operation increased by $164,194 to $967,668 (2013 - $803,474). Powerwave EOR applications revenues totalled $792,701 (2013 - $435,406); Powerwave well stimulation revenues totalled $160,800 (2013 - $341,344); and Other technologies totalled $14,167 (2013 - $26,997). The increase in Powerwave EOR applications is contrary to the Company's experience in Canada and the United States but reflects the interest in technology to bolster oil production in Oman, Argentina, Colombia and Brazil. Working with our marketing partners and internal sales personnel our Company's goal is to widely expand market penetration in all Powerwave product lines.

Costs of Sales

Under IFRS cost of sales includes direct labour, wage benefits and associated stock option benefits, consumable (i.e., inventory) parts, third party installation costs of Powerwave, Primawave, tubing pump and bailer product lines and oil and gas properties. The non-cash impairment write-down expense related to the South Rodney oilfield and related assets was reclassified as an impairment expense line item to conform to the current year's presentation and provide better comparability.

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

Cost of sales increased by $323,408 to $1,868,713, (or 31.8% of revenues) compared to $1,545,305 (or 26.1% of revenues) for the comparative reporting period. Wavefront originally recorded a write-down of $674,091 that was attributed to costs of sales, which was reclassified to impairment expense (see Note 6 and 23 to the consolidated financial statements).

The increase of $323,408 in costs of sales primarily relates to field incentive and commission programs and costs related to international Powerwave EOR projects. Total field incentive compensation costs during the year amounted to $295,248. Management believes that such variable pay has lead to increases in Powerwave revenues particularly in well stimulations and in future international EOR revenue. Costs of sales associated with international Powerwave EOR projects totalled $364,257. Powerwave well stimulation costs of goods sold for the fiscal year amounted to $1,059,121.

Gross Profit

Gross profits were $4,010,836 (or 68.2% of revenues) compared to $4,364,645 (or 73.9% of revenues) for the comparative reporting period.

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

The following table sets out the gross profit margins by cash generating unit for fiscal 2014:

	Powerwave	Other technologies	Tubing pumps & bailers	Oil & Gas Properties	Total
Revenues	$ 4,848,881	$ 227,433	$ 752,043	$ 51,192	$ 5,879,549
Costs of sales	1,468,286	80,686	319,741	-	1,868,713
	$ 3,380,595	$ 146,747	$ 432,302	$ 51,192	$ 4,010,836
Gross profit margin (note 1)	69.7%	64.5%	57.5%	100.0%	68.2%

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

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

	Powerwave	Other technologies	Tubing pumps & bailers	Oil & Gas Properties	Total
Revenues	$ 4,478,322	$ 268,147	$ 1,033,551	$ 129,930	$ 5,909,950
Costs of sales	911,479	65,472	568,354	-	1,545,305
	$ 3,566,843	$ 202,675	$ 465,197	$ 129,930	$ 4,364,645
Gross profit margin (note 1)	79.6%	75.6%	45.0%	100.0%	73.9%

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

Other Expenses

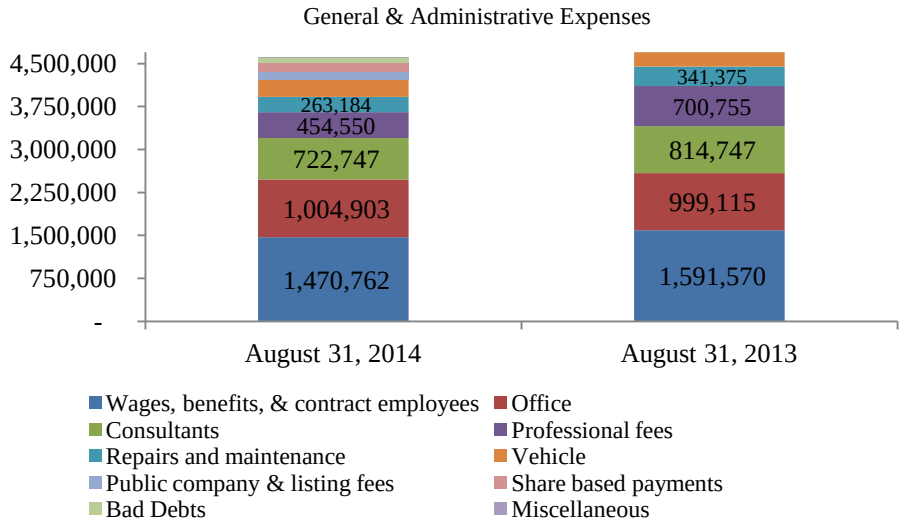
Other expenses for the year ended August 31, 2014, amounted to $9,333,906, compared to $9,234,451 in 2013. The increase in these expenses of $99,455 was principally a result of the following changes:

i) As at May 31, 2014, the Company's market capitalization was below the carrying value of its net assets, which represented a potential impairment indicator. However, as the Tubing Pump and Bailers CGU financial performance was weaker than anticipated, management concluded it was necessary to perform the impairment test. As a result of the impairment test, the Company recorded an impairment loss related to the Tubing Pump and Bailers CGU of $1,338,584, which is comprised of a $1,222,217 non-cash goodwill impairment charge and a $116,367 non-cash impairment charge to property, plant and equipment. This non-cash charge does not have an

impact on the Company's cash flows from operating activities and will not have an impact on the CGU's future operations.

In the comparative year, the Company's Board of Directors approved the disposition of the South Rodney related assets and liabilities, and the Company classified the South Rodney oilfield assets of $702,426 and the decommissioning obligation of $38,345, as held for sale, and wrote them down to their fair value from disposition estimated at $nil and recorded a corresponding impairment charge of $674,091. On April 17, 2014, the Company closed the sale of the South Rodney related assets and liabilities for total consideration of $1.

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



General and administrative expenses decreased by $534,137 and primarily relate to the following:

- Decreases in professional fees of $246,205 to $454,550 pertaining to decreases in patent agent fees, labour recruitment fees, shareholder strategies, and non-audit fees related to tax planning preparation fees. In the comparative year the Company incurred legal fees related to litigation where the Company was a complainant that was not incurred in the current year.

- Decreased wage and employee benefits of $120,808 to $1,470,762 relate to variances in allocations amongst other functional expense categories (i.e., costs of sales, sales and marketing, or research and development expenses) or were allocated and capitalized in relation to building Powerwave tools.

- Deceases in consultant expenses of $92,000 to $722,747 related to the reduction of external consultants that did not relate to near term revenue support or generation.

- Deceases in repairs and maintenance expenses of $78,191 to $263,184 primarily pertains to the repair of the infrastructure at the South Rodney oilfield in the prior period and a reduction in general shop supplies in favour of acquiring supplies directly related to revenue projects.

- Decreases in public company and listing fees of $67,867 to $146,808 related to a reduction in filing fees, transfer agent fees and dissemination fees.

- Offsetting the above noted decreases was an increase in share based payments of $50,274 to $142,396 pertaining to the issuance of stock options in February 2014 that were not allocated to other functional areas.

iii) A decrease of $179,217 in "research and development" expenses to $186,519 (2013 - $365,736) primarily related to larger projects coming to a close, and the Company focusing on fewer research and development projects in favour of focusing on near term revenue initiatives. During the fiscal year, the Company received a Scientific, Research & Experimental Development cash refund of $61,740 that is recorded as a credit against the research expense incurred.

The focus on Powerwave tool development is to provide the Company with continued competitive advances, and expand the environments in which Powerwave can be delivered. It is believed that the Company's investment in tool research and development will assist in future revenue growth.

iv) A decrease in "amortization, depreciation, and depletion" expenses of $40,424 to $1,735,960 (2013 - $1,776,384) relates to a reduction in the property, plant and equipment base as a result of the non-cash impairment write-down of property, plant and equipment associated with tubing pump and bailer CGU and disposition of the South Rodney oilfield.

v) Sale and marketing expense increased by $188,740 to $1,457,199 (2013 - $1,268,459) that primarily related to an increase of $299,713 in sales wage expense as the Company hired sales personnel in Saskatchewan and North Dakota in an effort to move away from the heavily oil markets. The sales wage expense increase was offset by a decrease of $138,811 in travel, promotion and trade show expenses as the Company focused its efforts in the existing markets being served.

Net Finance Section of Income

Financing costs included interest expenses totalling $1,815 (2013 - $5,080) and accretion expense of $nil (2013 - $1,288).

Interest earned for the reporting period decreased to $89,748 compared to $122,449 for the comparative period. The decrease of $32,701 relates to lower principal balances as cash on hand. Financing income also includes a foreign exchange gain of $24,830 (2013 - $8,888).

Operating Cash Flows

The following table sets out the cash used in operations for the fiscal years ended August 31, 2014 and 2013:

	As at August 31, 2014	As at August 31, 2013
Net loss	$ (5,210,307)	$ (4,744,837)
Items not affecting cash		
Amortization, depreciation, depletion and accretion	1,735,960	1,776,384
Impairment of goodwill	1,222,217	-
Share-based payment	187,804	109,138
Impairment of property, plant and equipment	116,367	674,091
Interest expense	1,815	6,930
Write-down of intangble assets	-	18,627
Gain on disposal of property, plant and equipment	(17,118)	(64,361)
Unrealized foreign excange (gain) loss	(34,151)	4,838
Funds used in operations	(1,997,413)	(2,219,190)
Interest paid	(1,815)	(6,930)
Net changes in non-cash working capital items	(398,286)	(588,391)
Cash used in operating activities	$ (2,397,514)	$ (2,814,511)

Net Loss and Comprehensive Loss, and Loss Per Share

The basic and diluted net loss for the year ended August 31, 2014 increased by $465,470 to $5,210,307 ($0.063 per share), compared to $4,744,837 ($0.056 per share) in 2013.

Adding back the non-cash impairment write-down of goodwill and property, plant and equipment associated with tubing pump and bailer CGU of $1,338,584 in fiscal 2014, the net loss would be $3,871,723 ($0.047 per share), a decrease in losses of $873,114.

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

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

	As at August 31, 2014	As at August 31, 2013
Net loss	$ (5,210,307)	$ (4,744,837)
Items not affecting cash		
Amortization, depreciation, depletion and accretion	1,735,960	1,776,384
Interest and tax expense	7,998	6,368
EBITDA	$ (3,466,349)	$ (2,962,085)
EBITDA loss per share	$ (0.042)	$ (0.036)

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

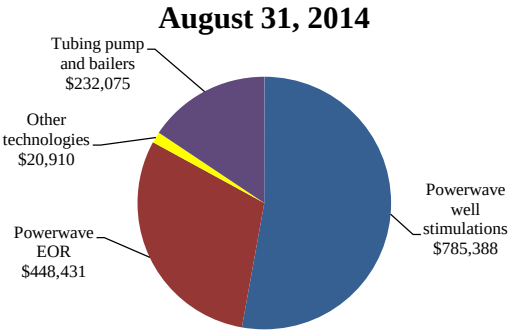
Adding back the non-cash impairment write-down of goodwill and property, plant and equipment associated with tubing pump and bailer CGU of $1,338,584 in fiscal 2014, the EBITDA loss is $2,127,765 or $0.026 per share.

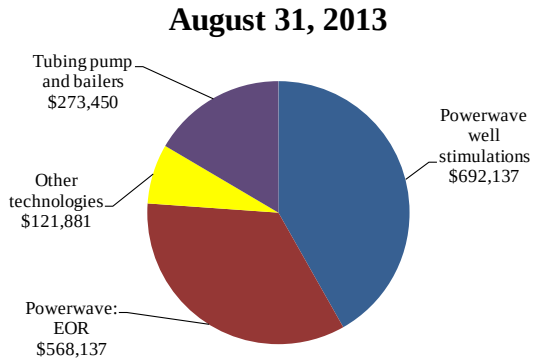
FOURTH QUARTER RESULTS FOR THREE MONTHS ENDED AUGUST 31, 2014

For the three months ended August 31, 2014, Wavefront continued to focus on the commercialization of Powerwave, its core strategic value proposition.

Revenues

Revenues for the three months ended August 31, 2014 were $1,486,805 a decrease of $207,744 over the comparative period in 2013 that recognized revenues of $1,693,856. Core revenues related to the technology for the three months ended August 31, 2014 totalled $1,486,805 a decrease of $169,189 from core revenues of $1,655,994 for the comparative period. The changes in product line mix are characterized in the pie charts below and are related to the aforementioned realignment of the Company's marketing focus.





Revenue attributed to Powerwave product lines for the three months ended August 31, 2014 were $1,234,385 compared to comparative period of $1,307,680. For the three months ended August 31, 2014, the total revenue of long-term Powerwave EOR projects totalled $448,431, a decrease of $120,095, compared to $568,526 in the comparative period. Of the decrease in long-term Powerwave EOR revenues, the majority principally comes from declines in Canadian EOR revenues.

For the three months ended August 31, 2014 Powerwave revenues related to well stimulations totalled $785,388, an increase of $93,251, compared to $692,137 in the comparative period. Other Technology related revenues totalled $20,910 (2013: $121,881).

For the three months ended August 31, 2014 revenues from the tubing pumps and bailer product line totalled $232,075, a decrease of $41,375, compared to $273,450 in the comparative period.

During the three months ended August 31, 2014, the Company did not recognize any production and operator revenues (2013 - $37,862).

Geographically, $641,024 (2013 – $850,553) in revenue for the three months ended August 31, 2014 was generated in Canada, $736,240 (2013 - $462,972) from the United States, and $109,541 (2013 - $380,331) internationally. The geographic revenues are more specifically described as follows:

Canada. Gross revenues for the three months ended August 31, 2014 in our Canadian operation decreased by $209,529 to $641,024 in fiscal 2013. Powerwave EOR applications revenues totalled $261,016 (2013 - $335,460); Powerwave well stimulation revenues in Canada totalled $135,358 (2013 - $199,949); Other technologies totalled $12,575 (2013 - $11,801); tubing pump and bailer revenues totalled $232,075 (2013 - $273,450); and oil production revenue totalled $nil (2013 - $29,893).

United States. Gross revenues for the three months ended August 31, 2013 in our US operation increased by $273,268 to $736,240 (2013 - $462,972). Powerwave EOR applications revenues totalled $63,726 (2013 - $94,629); Powerwave well stimulation revenues totalled $665,678 (2013 - $257,591); Other technologies totalled $6,836 (2013 - $102,783); and oil production revenue totalled $nil (2013 - $7,969).

International: Gross revenues for the three months ended August 31, 2013 outside our Canadian and US operation totalled $109,541 (2013 - $380,331). Powerwave EOR applications revenues totalled $34,283 (2013 - $138,437); Powerwave well stimulation revenues had a credit of $15,648 (2013 - $234,597) due to a credit note issued to a client in the quarter; and Other technologies totalled $1,500 (2013 - $7,297).

International revenue was impacted by delays in commencing projects in Colombia, Argentina, and Brazil. In Colombia the Company commenced recognizing revenue related to an Ecopetrol contract valued in excess of $1 million in the 4th fiscal quarter 2014. The Company anticipates that in the first calendar quarter of 2015 (second fiscal quarter 2015 for Wavefront) it will begin to recognize revenue related to the delayed projects with Pan American Energy and Petrobras in Argentina and Brazil respectively. These combined approximate gross revenues that the Company will recognize over the term of the contracts is in excess of $2 million.

Costs of Sales

Costs of sales for the three month period ended August 31, 2014 were $525,377 or 35.3% of revenues (2013 - $651,267 or 38.4% of revenues). Wavefront originally recorded a write-down of $674,091 that was attributed to costs of sales, which was reclassified to impairment expense (see Note 6 and 24 to the notes of the financial statements).

Gross Profit

Gross profits for the three month period ended August 31, 2014 were $961,428 or 64.7% of revenues (2013 - $1,042,589 or 61.6% of revenues).

The following table sets out the gross profit margins by cash generating unit for the three months ended August 31, 2014:

	Powerwave	Other technologies	Tubing pumps & bailers	Oil & Gas Properties	Total
Revenues	$ 1,233,820	$ 20,910	$ 232,075	$ -	$ 1,486,805
Costs of sales	435,362	633	89,382		525,377
	$ 798,458	$ 20,277	$ 142,693	$ -	$ 961,428
Gross profit margin (note 1)	64.7%	97.0%	61.5%	0.0%	64.7%

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 comparative period of the three months ended August 31, 2013:

	Powerwave	Other technologies	Tubing pumps & bailers	Oil & Gas Properties	Total
Revenues	$ 1,260,663	$ 121,881	$ 273,450	$ 37,862	$ 1,693,856
Costs of sales	478,114	49,615	123,538	-	651,267
	$ 782,549	$ 72,266	$ 149,912	$ 37,862	$ 1,042,589
Gross profit margin (note 1)	62.1%	59.3%	54.8%	100.0%	61.6%

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

Other Expenses

Other expenses for the three months ended August 31, 2014 amounted to $1,984,124, compared to $2,486,866 in 2013. The decrease in these expenses of $502,742 was principally a result of the following changes:

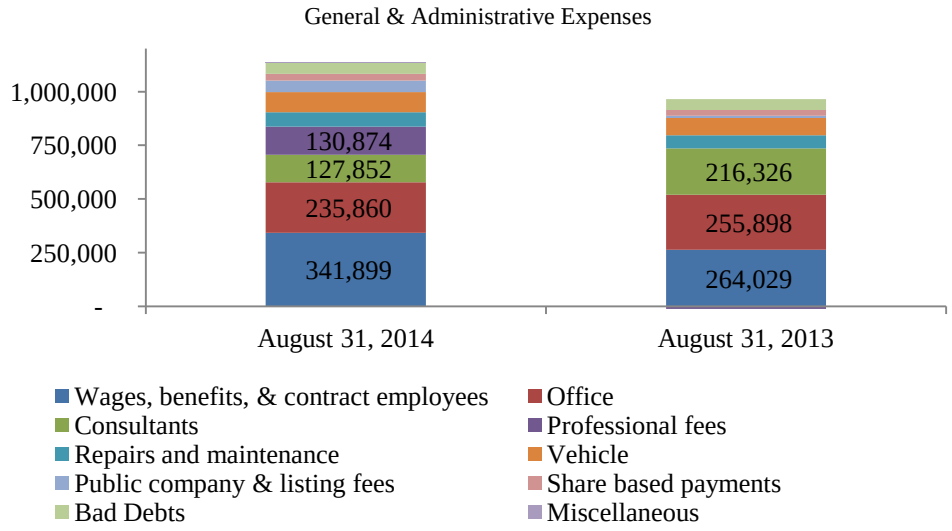
i) In the prior year the Company classified the South Rodney oilfield assets and the decommissioning obligation, as held for sale, as a result the Company wrote them down to their fair value from disposition estimated at $nil and incurred a non-cash impairment of $674,091.

ii) A decrease of $33,697 in "amortization, depreciation, depletion and accretion" expenses to $466,697 (2013 - $500,394), relates to a reduction in the property, plant and equipment base as a result of the non-cash impairment write-down of property, plant and equipment associated with tubing pump and bailer CGU and disposition of the South Rodney oilfield.

iii) Sales and marketing expenses remained relatively flat at $323,136 (2013 - $335,012). Wages within sales and marketing increased by $114,341 but was offset by decreases of $125,023 in travel, promotion and trade show expenses as the Company focused its efforts in the local markets being served.

iv) Research and development expenses remained relatively flat at $57,341 (2013 - $44,318) in research and development expense. As larger projects coming to a close, and the Company will focus on fewer research and development projects in favour of focusing on near term revenue initiatives.

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



General and administrative expenses increased by $203,899 and relate primarily to the following:

- Increases in professional fees of $154,553 that primarily pertains to advisory work associated with international tax withholdings related to certain international EOR Powerwave projects, and work around to transfer pricing and tax planning.

- Increases in wages, benefits and contract employee fees of $77,870 relate to variances in allocations amongst other functional expense categories (i.e., costs of sales, sales and marketing, or research and development expenses).

- Increase in public company fees of $42,393 relates to increases in fourth quarter transfer agent fees and board related functional disbursements.

- Decreases in consulting fees of $88,474 primarily related to the continued focus on the reduced use of external consultants and focusing expenses that relate to near term revenue support or generation.

- Decreases in office expenses of $20,038 primarily related to decreases in insurance, office supplies, and US property taxes. These decreases however, were partially offset by increases in safety equipment and facility rent and operating costs.

Net Finance Section of Income

Financing costs included interest expenses totalling $214 (2013 - $37), foreign exchange loss of $1,757 (2013 - $nil), and accretion expense of $nil (2013 - $329).

Interest earned for the reporting period decreased to $19,657 compared to $27,340 for the comparative period. The decrease of $7,683 relates to lower principal balances as cash on hand. Financing income also includes a foreign exchange gain of $nil (2013 - $5,968).

Operating Cash Flows

The following table sets out the cash used in operations for the quarter ended August 31, 2014 and 2013:

	Three months ended August 31, 2014	Three months ended August 31, 2013
Net loss	$ (1,005,009)	$ (1,411,334)
Items not affecting cash		
Amortization, depreciation, depletion and accretion	466,697	500,394
Share-based payment	35,810	34,045
Interest expense	214	40
Impairment of property, plant and equipment	-	674,091
Write-down of intangble assets	-	18,627
Gain on disposal of property, plant and equipment	(7,049)	(46,504)
Unrealized foreign exchange loss	(73,358)	(28,428)
Funds used in operations	(582,695)	(259,069)
Interest paid	(214)	(40)
Net changes in non-cash working capital items	78,943	138,179
Cash used in operating activities	$ (503,966)	$ (120,930)

Net Loss and Comprehensive Loss, and Loss Per Share

The basic and diluted net loss for the quarter ended August 31, 2014 decreased by $406,325 to $1,005,009 ($0.012 per share), compared to $1,411,334 ($0.017 per share) in 2013. The decrease in losses principally relates to the recording of an impairment of the South Rodney oilfield related assets of $674,091 in the comparative quarter.

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

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

	Three months ended August 31, 2014	Three months ended August 31, 2013
Net loss	$ (1,005,009)	$ (1,411,334)
Items not affecting cash		
Amortization, depreciation, depletion and accretion	466,697	500,394
Interest and tax expense	214	629
EBITDA	$ (538,098)	$ (910,311)
EBITDA loss per share	$ (0.006)	$ (0.011)

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 '14	3rd Qtr May 31 '14	2nd Qtr Feb 28 '14	1st Qtr Nov 30'13	Annual
Fiscal 2014					
Revenue	$ 1,486,805	$ 1,499,056	$ 1,247,048	$ 1,646,640	$ 5,879,549
Net Loss	$ (1,005,009)	$ (2,276,241)	$ (1,136,653)	$ (792,404)	$ (5,210,307)
Basic and diluted loss per share	$ (0.012)	$ (0.027)	$ (0.014)	$ (0.010)	$ (0.063)
Common shares outstanding					
Weighted average shares outstanding	82,956,240	82,956,240	82,956,240	82,956,240	82,956,240

	4th Qtr Aug 31 '13	3rd Qtr May 31 '13	2nd Qtr Feb 28 '13	1st Qtr Nov 30'12	Annual
Fiscal 2013					
Revenue	$ 1,693,856	$ 1,659,021	$ 1,027,488	$ 1,529,585	$ 5,909,950
Net Loss	$ (1,409,644)	$ (968,055)	$ (1,364,460)	$ (1,002,678)	$ (4,744,837)
Basic and diluted loss per share	$ (0.017)	$ (0.012)	$ (0.016)	$ (0.012)	$ (0.057)
Common shares outstanding					
Weighted average shares outstanding	82,956,240	82,956,240	82,956,240	82,956,240	82,956,240

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

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total current assets decreased by $2,764,111 to $10,987,502 from the prior year end. Of the net decrease, $2,958,129 relates to a reduction of cash resource, of which $566,170 was used for the acquisition of additional Powerwave tools and equipment, $84,351 relates to the acquisition of intellectual property licences and patents, and $2,329,952 was used to fund operations. Additionally the Company used cash to reduce its current liabilities.

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

Non-current assets included a decrease of $2,448,614, of which $1,338,584 to the non-cash impairment of the property, plant and equipment associated with the tubing pumps and bailers CGU and goodwill impairment.

Oilfield Property, Plant and Equipment

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

Rodney South Oilfield

The Company's oilfield production operation consisted only of its working interest in the South Rodney oilfield assets. In the prior year, the Company's Board of Directors approved the disposition of the South Rodney related assets and liabilities, and the Company classified the South Rodney oilfield assets of $702,426 and the decommissioning obligation of $38,345, as held for sale, and wrote them down to their fair value from disposition estimated at $nil and recorded a corresponding impairment charge of $674,091. On April 17, 2014, the Company closed the sale of the South Rodney related assets and liabilities for total consideration of $1.

Liabilities

Total liabilities decreased by $229,890 from the prior year-end to $1,051,483. Of the liabilities, $424,696 relates to trade accounts payable, and $626,787 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 August 31, 2013 and 2012:

	As at August 31, 2014	As at August 31, 2013	Change
Current assets	10,987,502	13,751,613	(2,764,111)
Current liabilities	1,051,482	1,281,372	(229,890)
Working capital[(note 1)]	9,936,020	12,470,241	(2,534,221)

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

In a prior year, Wavefront issued a Letter of Credit for $260,000 as security for the Company's new Edmonton office and warehouse lease. The value of the Letter of Credit declines each year by $65,000 to year four (i.e., 2014) and then is terminated in year five (i.e., 2015). As security against the Letter of Credit, the Company pledged a Guaranteed Investment Certificate as security. As at August 31, 2014 the balance of the Letter of Credit was $130,000. The balance of the Company's capital is not subject to any external restrictions.

Wavefront believes that its working capital position will continue to fluctuate and that our Company's cash flow break-even will also be affected by degree of commercialization and the product mixes between Powerwave well stimulation and mature field revitalization applications, Powerwave performance drilling (new product line), tubing pumps and bailer, and Primawave applications.

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

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

Financings

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

Capital Resources

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

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

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

As of December 17, 2014, Wavefront had $7,942,041 of cash on hand. Of the cash on hand, Wavefront has $4,000,000 in Term Deposits on deposit with TD Canada Trust, maturing on December 18, 2014, with a guaranteed interest rate between 1.05%; and $2,000,000 on deposit with National Bank Financial cashable without penalty on or after December 22, 2014 but maturing on November 21, 2015, with a guaranteed interest rates between 1.45%. Credit risk on the Term Deposits investment is linked to the insurance coverage limits as prescribed by the Canadian Deposit Insurance Corporation and that of TD Canada Trust and 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	$ 1,894,383	$ 414,975	$ 747,145	$ 426,580	$ 305,683

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 Company has the option for early termination of the office and warehouse lease after year five (5) for a one-time payment of $100,000. The future commitment in base rental payments is $1,358,043 over the balance of the term.

In addition, in a prior year, the Company entered into a new sales office lease for Calgary, Alberta. The new facilities are to create a greater presence for our Company in Calgary. The office lease has a commencement date of June 15, 2011 and a five (5) year term expiring on June 14, 2016. The balance of the future commitment in base rental payments is $82,760.

As well, in the current fiscal year, the Company entered into a new office and warehouse lease in Lloydminster, Alberta. The new facilities were required as our other facilities lease expired and to support our growing stimulation and workover business. The office lease has a commencement date of July 1, 2012 and a five (5) year term expiring on June 30, 2017. The balance of the future commitment in base rental payments is $446,250.

The Company is of the opinion that its working capital position of $9,936,020 as at August 31, 2014 is sufficient to cover its current commitments and operations for the forthcoming fiscal year. It is also anticipated that internally generated cash from operations will continue to increase as our Company's core Technologies continue to be commercialized and inducements and incentives decrease. As such Wavefront does not, currently, foresee any need for equity or debt financing, although it may consider future financings based on expected need to finance Powerwave tools, working capital, or acquisitions. As our Company moves forward it will also consider debt financing of its Powerwave tools to better match the assets' life and revenue stream with the financing sources. Any such financing will be dependent on Wavefront's credit rating, quality of licensing contracts, etc.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Expense transaction

The Company entered into a Consulting Agreement with a director of the Company to provide certain services for a monthly fee of US $5,000 per month. During the year, the Company recorded $64,659 (August 31, 2013 - $60,669) in consulting expense, with $nil (August 31, 2013 - $nil) included in accounts payable.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

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

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

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

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

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

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

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

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

Need For Additional Financing – The Company may require additional financing in order to make further investments in the technology or to fund unanticipated demand, to take advantage of unanticipated opportunities, to fund the tool research and development, Powerwave tool manufacturing, or to fund the Company through a protracted commercialization to profitability stage. There can be no assurance that additional financing will be available to the Company on acceptable terms or in an acceptable form, or at all. Any financing may be affected by changes in Wavefront's credit rating, general equity market conditions, the volatility of Wavefront's shares, interest rates and valuation of available collateral. Such financing, if available, might have the effect of diluting the holdings of existing shareholders.

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

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

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

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

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

Conflicts of Interest - Directors and officers of Wavefront may serve as directors of, or have shareholdings in, other reporting or private entities. To the extent that such other companies or entities may participate in ventures in which the Company may participate, the directors or officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The laws of Canada, applicable to the Company, provide that the directors of Wavefront must act honestly, in good faith and in the best interests of Wavefront in resolving any conflicts that may arise, and all directors of Wavefront are aware of these fiduciary responsibilities. In determining whether or not the Company will participate in a particular venture, the directors will primarily consider

the degree of risk to which the Company may be exposed, its financial position at that time and, depending on the magnitude of the venture and the absence of any disinterested directors, whether or not to subject any ventures in question to the shareholders of the Company for their approval.

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

ENVIRONMENTAL RISK

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates are disclosed in Note 3, "Significant Accounting Policies" and Note 5, "Critical Accounting Estimates and Judgements" of the Consolidated Financial Statements for the year ended August 31, 2014.

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, 2014.

FINANCIAL AND OTHER INSTRUMENTS

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

Credit Risk

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

Foreign currency risk

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

Fair value of financial instruments

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

SUPPLEMENTARY INFORMATION

SELECTED ANNUAL INFORMATION

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

	2014	2013	2012
Revenues	$ 5,879,549	$ 5,909,950	$ 5,632,001
Net loss	(5,210,307)	(4,744,837)	(4,648,731)
Basic and diluted loss per share	$ (0.06)	$ (0.06)	$ (0.06)
Weighted average number of common shares outstanding	82,956,240	82,956,240	82,926,495
Working capital	$ 9,936,020	$ 12,470,241	$ 16,027,184
Total assets	19,280,770	24,493,495	29,454,865
Total long term financial liabilities	-	-	37,057
Total liabilities	$ 1,051,482	$ 1,281,372	$ 1,683,540
Shares outstanding at August 31	82,956,240	82,956,240	82,956,240

(1) In Canadian dollars, except share data

DESCRIPTION OF SHARE CAPITAL

As at August 31, 2014, 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	2,430,000	
		2,430,000
Fully diluted share capital:		85,386,240

As at December 17, 2014, Wavefront's number of issued and outstanding shares is 82,956,240.

Market for Securities

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

Options granted during the period

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

Date of Grant	Number of Shares	Optionee	Exercise Price	Expiry Date
February 21, 2014	825,000	Directors	$ 0.315	February 21, 2019
	825,000			

Options outstanding

As at August 31, 2014

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share $
February 21, 2014	February 21, 2019	825,000	0.315
February 22, 2013	February 22, 2018	595,000	0.38
November 12, 2013	November 12, 2018	75,000	0.41
September 28, 2011	September 28, 2016	55,000	0.66
September 4, 2009	September 4, 2014	245,000	0.72
December 20, 2011	December 20, 2016	75,000	0.73
September 14, 2010	September 14, 2015	530,000	0.97
July 14, 2010	July 14, 2015	30,000	1.45
		2,430,000	

Subsequent to the fiscal year end, 245,000 incentive stock options expired unexercised, and the Company issued 100,000 incentive stock options to its investor relations firm with an exercise price of $0.25 and an expiry date of October 8, 2019.

CONTROLS AND PROCEDURES

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

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

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

However, the Company's Management, and its certifying officers on the Annual Form are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in that Annual Form. The Annual Form does contain representations which confirms that management has

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

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

FORWARD-LOOKING INFORMATION

Certain statements contained herein regarding Wavefront and its operations constitute "forward-looking statements" within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical or current facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations or future performance of Wavefront and or any of its subsidiaries, as described in the Management Discussion and Analysis above, are "forward-looking statements". Forward-looking information can be identified by the use of the future tense or other forward-looking words such as "believe", "expect", "anticipate", "intend", "should", "may", "could", "would", objective" "forecast", "position", "intend" or the negative of those terms or other variations of them or comparable terminology. Examples of such forward-looking information in this document include, but are not limited to statements with respect to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions that may prove to be incorrect:

- *under the heading "Outlook" the outlook for Wavefront's business, its plans to capitalize on new business, expectations regarding the new business model and discussions of how goals will be achieved;*
- *under the heading "Overall Results from Operations", Wavefront's expectations regarding the impact of a realignment of focus on revenue, expectations for future international revenues, expectations once Powerwave is fully commercialized, the belief that Powerwave well stimulation revenues will grow in 2014, discussions of goals relating to expansion of client base, the expectation that the commissions program will lead to future international EOR revenue (which is also discussed under the fourth quarter results heading), discussions of Wavefront's goals, including expansion of technology of ferings and the focus on surface tool development and hopes for future commercialization;*
- *under the heading "Liquidity and Capital Resources", Wavefront's beliefs about its working capital position and cash flow break even, its expectations about cash inflows and investment given positive Powerwave results and its use of cash; and*
- *under the heading "Contractual Commitments", Wavefront's beliefs about working capital sufficiency and potential sources of financing.*

We provide this forward-looking information for Wavefront's business in order to describe the management expectations and targets by which Wavefront measures its success and to assist Wavefront shareholders in understanding Wavefront's financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this

information may not be appropriate for other purposes. ***We caution that such "forward-looking statements" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information****. Such material factors include fluctuations in the acceptance rates of Wavefront's Powerwave and Primawave Processes, demand for products and services, fluctuations in the market for oil and gas related products and services, the ability of Wavefront to attract and maintain key personnel, technology changes, global political and economic conditions. For a more detailed description of these risks, and of other risks to which Wavefront is subject, please see the "Risks and Uncertainties" section in this Management Discussion and Analysis. In determining Wavefront's forward-looking statements, Wavefront considers material factors including assumptions and expectations contained in: the "Technology Adoption" section, as well as expectations regarding customer demand and adoption rates for Wavefront's products; commodity prices and interest and foreign exchange rates; and the availability and cost of inputs, labour and services, patent, technology and competitive risk. These material risk factors and material assumptions are not intended to represent a complete list of the factors that could affect Wavefront; please see other factors that are described in further detail in Wavefront's continuous disclosure filings, from time to time, and available on SEDAR at www.sedar.com.*

The forward-looking statements contained herein represent Wavefront's expectations at December 17, 2014, 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).