Wavefront Technology Solutions Inc.

Quarterly Report

For the third

Quarter ended

May 31, 2016

The following discussion and analysis of financial results should be read in conjunction with the unaudited financial statements and the accompanying notes for the quarter ended May 31, 2016 and is based on information available to July 27, 2016. Additional information on Wavefront Technology Solutions Inc.'s (the "Company" or "Wavefront") is available on SEDAR at www.sedar.com.

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

MANAGEMENT'S RESPONSIBILITY

Management has prepared this Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Wavefront Technology Solutions Inc.'s (the "Wavefront" or "the Company") financial results prepared in accordance with IFRS. The MD&A primarily compares the unaudited financial results for the third quarter ended May 31, 2016 and 2015. Management has established and maintains an accounting and reporting system supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the International Financial Reporting Standard's ("IFRS") financial records (also see section titled "Controls and Procedures" page 20). The financial information presented throughout this MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the quarter ended May 31, 2016 as well as the audited consolidated financial statements for the period ended August 31, 2015 and 2014 and the related notes.

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

The Audit Committee of the Board of Directors, whose members are independent as defined in National Instrument 52-110: Audit Committee, met to review the condensed consolidated interim financial statements with Management, and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors has approved the condensed consolidated interim financial statements on July 27, 2016.

NON-IFRS MEASURES

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

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

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

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

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

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

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

OVERVIEW OF BUSINESS

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

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

i. Oil and gas well stimulation (revitalizing individual well productivity or fluid injection rates); and,
ii. Improved or Enhanced Oil Recovery ("IOR/EOR") by improving fluid flow through the oil reservoir (waterflooding or chemical flooding).

A single well stimulation is a remedial operation performed on a producing well to restore or enhance productivity. In most instances a chemical is pumped into the well to stimulate a producing or injection interval. In other cases stimulation is used to remove scales such as calcium carbonate or barite, to rid a well of accumulated waxes on tubulars or to remove sand fill. A single well stimulation is generally on the order of one day compared to IOR/EOR flooding operations that can last much more than a decade.

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

OUTLOOK

Persistent low oil prices continue to impact capital and operating spending at E&P companies thus leading to decreased activities for OFS companies including Wavefront. The indicators of higher, stabilized oil prices leading to operator confidence and increased spending by E&P companies' remains uncertain and Wavefront Management anticipates reduced activities and revenue generation, especially in North America, for the balance of 2016. Overall, Wavefront's financial results are influenced by technology adaption rates, client project scheduling, direct and indirect competition, and pricing pressure from customers in a low dollar oil environment.

Positioning Wavefront for accelerated growth in good market conditions and safeguarding the Company's balance sheet continues to be at the forefront of Management decisions. Initiatives taken by Management in fiscal 2016 have included a reduction in personnel, salary rollbacks, deferring non-essential capital spending and regulating marketing expenditures. We remain confident that over the long-term Wavefront will succeed in growing market penetration in key geographical regions. Should however, industry economic adversities deepen, Wavefront may ensure its sustainability by further cost reductions and focusing its resources on the markets and products that provide the greatest positive contribution margins.

Central to positioning the Company for future growth has been a focus on establishing Wavefront in the Middle East. The Company anticipates that efforts in this region will begin to generate revenue later in the fourth fiscal quarter of 2016 and moving into fiscal 2017.

Wavefront continues to have active waterfloods projects in Argentina and Brazil and is in discussion with the clients to extend the contracts or to sell the Powerwave systems to them and charge an associated licensing and maintenance fee. In the coming months and barring any unforeseen negative changes in oil price the Company anticipates a Phase II implementation of Powerwave in Oman. Wavefront also anticipates that it will soon field trial it much anticipated "WaveAxeT^{M}" with its Canadian technology development partner. WaveAxe is a derivation of the Company's Powerwave well stimulation technique developed to accelerate communication between a Steam Assisted Gravity Drainage ("SAGD") well pairs to reduce the time between well drilling/completion and well production. The Company is also pursuing several technology partnerships with international E&P companies for further development of it Trailblazer drilling tools. With lower commodity prices and operators seeking cost savings the Trailblazer drilling tools aid in reducing drilling time hence overall rig costs. Wavefront will provide updates as developments occur.

OVERALL RESULTS FROM OPERATIONS

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

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

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

During the nine months ended May 31, 2016, revenues totalled $2,240,682. Offsetting the overall decrease in revenues from the comparative period, the Company was able to manage its expenditures, decreasing expenses by $6,973,796. Excluding non-cash impairment charges in the comparative period of $5,023,475, the Company was able to reduce expenses by $1,950,321 over the comparative nine months ended May 31, 2015.

During the three months ended May 31, 2016, revenues totalled $794,138. Of the $794,138 of total revenues recognized, $397,784 relates to Powerwave EOR/IOR revenues and $302,847 relates to Powerwave stimulation revenues. Additionally, the Company was able to increase total revenues by $262,225 over the prior quarter (i.e., three months ended February 29, 2016). The majority of the increases over the prior quarter revenues, which amounted to $246,880, came from the Powerwave product line from international clients.

Offsetting the decrease in the third quarter revenues, the Company was also able to continue to manage its expenditures, decreasing expenses by $549,633. Of the quarterly expense reductions, $312,754 and $139,338 relate to reductions in costs of goods sold and general and administrative.

Impairment

As at May 31, 2016, the Company assessed impairment indicators for the Company's cash generating units ("CGUs") and concluded no impairment indicators were present.

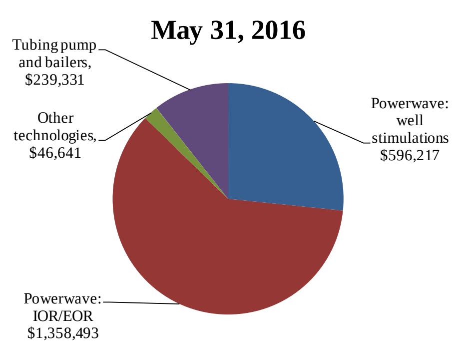
As at May 31, 2015, the Company identified a number of external and internal indicators of impairment.

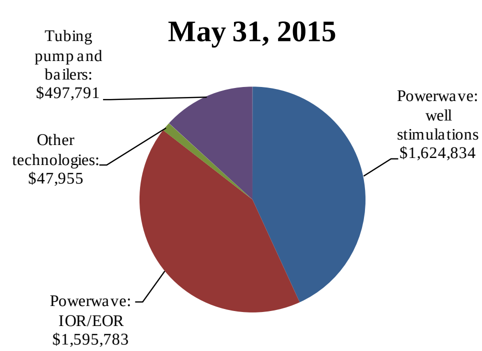
For the nine months ended May 31, 2015, the Company's total recorded non-cash impairment charge is $5,023,475, which is allocated to the assets in the above noted CGUs consisting of a $1,753,519 non-cash impairment charge to property, plant and equipment and $3,269,956 non-cash impairment charge to intangible assets.

Consolidated Results – nine months ended May 31, 2016

Revenues

Revenues for the nine months ended May 31, 2016 were $2,240,682, a decrease of $1,525,681 over the comparative quarter ended May 31, 2015 that recognized revenues of $3,766,363. The changes in product line mix can be characterized as follows:





Revenue attributed to Powerwave product lines were $1,954,710, a decrease of $1,265,908 over revenues in the comparative quarter of $3,220,617. Powerwave product line revenues can then be broken into short-term projects involving well stimulations and long-term projects related IOR/EOR projects.

For the nine months ended May 31, 2016, the total revenue related to Powerwave IOR/EOR projects totalled $1,358,493 compared to $1,595,783 in the comparative quarter. Of the $1,358,493 in revenue related to Powerwave IOR/EOR projects $112,192 related to Canadian projects, which ceased earlier in the fiscal year; and $1,246,301 related to international projects. At each reporting date all foreign currency projects are translated into Canadian currency at the period's average rate. As all international IOR/EOR project revenues are denominated in United States currency, the current exchange rates impact the translation amounts of international IOR/EOR projects and revenue recognition.

For the nine months ended May 31, 2016, Powerwave revenues related to well stimulations totalled $596,217, compared to $1,624,834 in the comparative quarter. Lower oil prices continue to impact Powerwave stimulation revenues as E&P's are pressed to reduce both capital and operating costs. E&P financial constraints have also adversely affected the drilling and spudding of wells, which also has a negative effect on potential bailer and stimulation work. Of the $596,217 in revenue related to Powerwave well stimulation revenues, $277,463 relate to international work that has been less susceptible to the current oil prices. The Company does not anticipate approaching a return to past bailer and Powerwave well stimulation activity levels until such time there are higher sustained oil prices in the key North American market coupled with new revenue from initiatives in the Middle East.

For the nine months ended May 31, 2016, revenues from the tubing pumps and bailer product totalled $239,331 compared to $497,791 in the comparative quarter. Tubing pumps and bailer revenues are comprised of tool rental, delivery and refurbishment fees. The Company expects to see continued variation in tubing pump and bailer revenues resulting from lower levels of activities in Western Canada stemming from continued low oil prices.

For the nine months ended May 31, 2016, Other Technology revenues totalled $46,641 for the reporting quarter compared to $47,955 from the comparative quarter. The Company expects to see continued variation in Other Technology revenues quarter over quarter.

Geographically, $415,034 (2015 – $1,202,528) in revenue was generated in Canada, $301,884 (2015 - $1,421,626) from the United States, and $1,523,764 (2015 - $1,142,210) internationally. In this tumultuous period of low oil prices our Company's goal is to globally set the stage for accelerated growth in good market conditions for both well stimulations and IOR/EOR projects. The geographic revenues are more specifically described as follows:

> **Canada**. Revenues in our Canadian operation decreased by $787,495 to $415,034 compared to $1,202,528 in comparative quarter. Powerwave IOR/EOR project revenues totalled $112,192 (2015 - $485,384); Powerwave stimulation revenues in Canada totalled $63,511 (2015 - $219,353); and tubing pump and bailer revenues totalled $239,331 (2015 - $497,791).
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> **United States**. Revenues in our United States operations decreased by $1,119,742 to $301,884 (2015 - $1,421,626). Powerwave IOR/EOR project revenues totalled $nil (2015 - $87,886); Powerwave stimulation revenues totalled $255,243 (2015 - $1,286,285); and Other Technology revenues totalled $46,641 (2015 - $47,455).
>
> **International**: Revenues outside our Canadian and United States operations increased by $381,554 to $1,523,764 (2015 - $1,142,210). For Powerwave IOR/EOR projects revenues totalled $1,246,301 (2015 - $1,022,513) Powerwave stimulation revenues internationally totalled $277,463 (2015 - $119,197); and Other Technology revenues totalled $nil (2015 - $500).

Direct Expenses

IFRS cost of sales includes direct labour, wage benefits and associated stock option benefits, consumable (i.e., inventory) parts, third party installation costs of Powerwave, Tubing Pump and Bailer, and Other Technology product lines.

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

Costs of sales for the nine months ended May 31, 2016 were $930,131 or 41.5% of revenues (May 31, 2015 - $1,515,968 or 40.3% of revenues). Costs of sales were negatively impacted by a single Canadian Powerwave IOR/EOR project in a loss position, which concluded December 1, 2015 and totalled $123,278 or 9.1% of all Powerwave IOR/EOR costs of goods sold.

Costs of sales have also been affected by international Powerwave IOR/EOR and stimulation projects, which are more complex, include agent fees, and have a large portion of costs denominated in US currency. Costs of sales associated with international Powerwave IOR/EOR projects totalled $559,778 or 44.9% of international Powerwave IOR/EOR revenue. Costs of sales for all Powerwave IOR/EOR projects approximated 50.4% of all Powerwave IOR/EOR revenues, whereas costs of sales for all Powerwave stimulations approximated 26.6% of Powerwave stimulation revenues.

Gross Profit

The following table sets out the gross profit margins by product line for the nine months ended May 31, 2016:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 1,358,493	$ 596,217	$ 239,331	$ 46,641	$ 2,240,682
Costs of sales	684,329	158,713	85,453	1,636	930,131
	$ 674,164	$ 437,504	$ 153,878	$ 45,005	$ 1,310,551
Gross profit margin (note 1)	49.6%	73.4%	64.3%	96.5%	58.5%

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

The following table sets out the gross profit margins by product line for the nine months ended May 31, 2015:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 1,595,783	$ 1,624,834	$ 497,791	$ 47,955	$ 3,766,363
Costs of sales	857,597	438,864	213,163	6,344	1,515,968
	$ 738,186	$ 1,185,970	$ 284,628	$ 41,611	$ 2,250,395
Gross profit margin (note 1)	46.3%	73.0%	57.2%	86.8%	59.7%

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

Other Expenses

Other Expenses, i.e., not including costs of goods sold, for the nine months ended May 31, 2016, amounted to $3,513,597, compared to $9,901,556 in 2015. Excluding the non-cash impairment charge of $5,023,475 as noted above (page 4) for the nine months ended May 31, 2015, the Company was able to decrease Other Expenditures for the nine months ended May 31, 2016 by $1,364,484 over the comparative period. The change in Other Expenses was principally a result of the following changes:

i) The recognition of non-cash impairment expense related to the Powerwave, Other Technology CGUs of $5,023,475 that only occurred in the nine months ended May 31, 2015.

ii) Selling and marketing expenses also decreased by $587,000 to $403,043 for the nine months ended May 31, 2016. The decrease principally relates to a reduction of $479,474 in wage and wage benefit expense due to the restructuring of the size of the sales force, specifically in areas where the Company had little sales activities. Additionally, the Company has seen its travel and entertainment expense decrease by $73,642, advertising, promotion and trade show expense decrease by $20,849, and travel and entertainment decrease by $10,268, which is a result of an ongoing effort to manage these expenses relate to more near term revenues.

iii) General and administrative expenses decreased by $399,342 (May 31, 2016 - $2,559,099; May 31, 2015 - $2,958,441) and principally relate to the following:

- Office expenses decreased by $192,910 to $554,094. The decrease of office expenses principally relates to facility related expenses and insurance expenses. Office rental expense declined due to the accrual of the onerous contract and restructuring charge related to the Calgary sales office that the Company recognized in the prior quarter ended August 31, 2015. Other reductions relate to lower consumables and utilization of services, due to lower staff levels.

  Due to the magnitude of insurance premiums and as the exposure of the Company to a catastrophic total loss of the tools is limited to certain situations, which the Company believes has a low probability of occurring, the Company has currently decided to self-insure its tools (see Risk and Uncertainty section, page 17), which has resulted in an approximate saving of $21,000 annually. Additionally, insurance premiums decreased as result of declining revenues.

- Decreases in vehicle expenses of $93,790 to $110,068. The decreases principally relates to decreases in non-sales related ground transportation of $65,977, and fuel of $32,889. These decreases relate to decreases in revenues and an ongoing effort to manage these expenses relate to more near term revenues. Offsetting these decreases however, was an increase in vehicle maintenance and insurance of $5,220.

- Decreases in wage and benefits expenses by $84,786 to $1,023,651 principally relates to lower staff levels and the reduction of staff wage and wage benefits by 7.5% and of management wage and wage benefits by 10%. General and administrative wage expenses are also affected by the varying allocations to other functional categories (i.e., sales and marketing, and research and development) and in the manufacturing of Powerwave tools.

- Decreases in consulting fees of $44,643 to $181,987 principally relates to the use of external consultants in the comparative period for strategic planning which amounted to $57,000.

- Decreases in repair and maintenance fees of $40,436 to $114,435 correspond to decreases in relative revenue amounts.

- Decrease in general and administrative share based payment of $39,992 to $14,878, relates to the valuation and expensing of 825,000 incentive stock options issued in the prior year where no additional incentive stock options were issued in the current reporting period.

- Offsetting the above noted decreases was an increase in bad debt expense of $66,644 to $121,810. The current period's bad debt expense principally relates to the bankruptcy of one USA based client, resulting in the write off of $72,032 and accruals on overdue accounts.

- Also offsetting the above noted decreases the Company saw increases in professional fees and public company and listing fees by $22,170 to $314,282 and $14,953, to $116,801 respectively. Increases in professional fees relate to international agreement, USA tax and human resources legal fees. Whereas increases in public company fees principally related to the reversal of accruals in the comparative period as the Company, given the economic relatives, scaled back the scope of investor relations activities and annual general meeting.

iv) Amortization and depreciation decreased by $363,889 to $414,483 for the nine months ended May 31, 2016 from the comparative period. The decrease in amortization and depreciation expense is a result of prior period non-cash impairment charges.

v) Research and development expense remained relatively stable, decreasing by $14,253 to $136,972 for the nine months ended May 31, 2016 from the comparative period. Of the wage expense within research and development $64,503 relates to labour of our physicist and reservoir engineer that support our Powerwave product line. Wage expense decreased by $34,381 from the comparative period as less reservoir engineer research was undertaken. The Company has been managing its tool and other research to projects that have more near term revenues. However, during the reporting period the Company undertook two projects related to improvements to Powerwave well workover tools and a SCADA (i.e., supervisory control and data acquisition) system for the Powerwave EOR/IOR controllers amounting, thus far, to $21,060 and $15,981 respectively. The Powerwave EOR/IOR controller SCADA system for will enhance remote monitoring of tool operating functions, controllability and reporting over multiple communication channels, which will be more important with the focus on the international markets.

Net Finance Section of Income

Interest income of $47,103 (2015 - $83,927) only includes interest earned for the current reporting period. Interest income for the comparative period of $83,927 includes interest earn for the comparative period of $51,790 and foreign exchange gains of $32,137. The lower interest earned was a result of maintaining lower principal balances; this however, was offset by earning an average rate of 1.45% for the current quarter versus earning a blend of 1.45% and 1.05% in the comparative quarter.

Financing cost of $13,395 (2015 - $3,991) includes interest expenses of $1,734 and foreign exchange loss of $11,661 for the current reporting period. The comparative period financing cost of $3,991 only included interest expense. The foreign exchange losses were a result of the weakening of Canadian currency since the last fiscal year end.

Operating Cash Flows

The following table sets out the cash used in operations for the nine months ended May 31, 2016 and 2015:

	As at May 31, 2016	As at May 31, 2015
Net loss	$ (2,169,338)	$ (7,571,225)
Items not affecting cash		
Amortization and depreciation	414,483	778,372
Share-based payment	16,846	62,105
Gain (loss) on disposal of property, plant and equipment	13,389	(6,308)
Interest expense	1,734	3,991
Impairment	-	5,023,475
Impact of foreign translation	(66,785)	123,952
Funds from (used in) operations	(1,789,671)	(1,585,638)
Interest paid	(1,734)	(3,991)
Net change in non-cash working capital items	950,931	996,194
Cash used in operating activities	$ (840,474)	$ (593,435)

Net Loss and Comprehensive Loss, and Loss Per Share

The basic and diluted net loss for the nine months ended May 31, 2016 decreased by $5,401,887 to $2,169,338 ($0.026 per share), compared to $7,571,225 ($0.091 per share) for the comparative period ended May 31, 2015.

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 nine months ended May 31, 2016 and 2015:

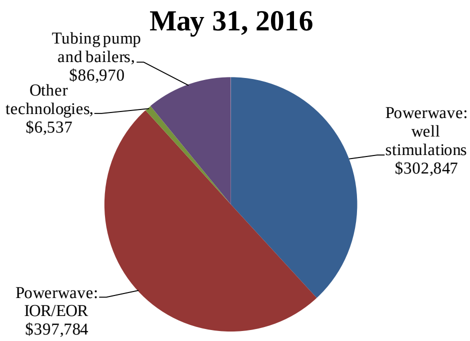
	As at May 31, 2016	As at May 31, 2015
Net loss	$ (2,169,338)	$ (7,571,225)
Items not affecting cash		
Amortization and depreciation	414,483	778,372
Interest and tax expense	8,706	16,962
EBITDA	$ (1,746,149)	$ (6,775,891)
EBITDA loss per share	$ (0.021)	$ (0.082)

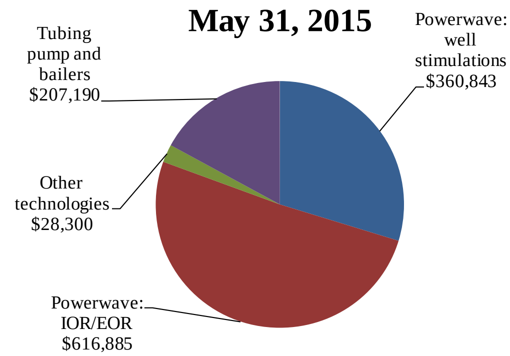
note 1: EBITDA is calculated by adding back all interest, tax, depreciation and amortization to net loss, and is further discussed in Non-IFRS Measures

Consolidated Results – three months ended May 31, 2016

Revenues

Revenues for the three months ended May 31, 2016 were $794,138, a decrease of $419,080 over the comparative quarter ended May 31, 2015 that recognized revenues of $1,213,218. The changes in product line mix can be characterized as follows:





Revenue attributed to Powerwave product lines were $700,631, a decrease of $277,097 over revenues in the comparative quarter of $977,728. The Powerwave product line revenues can then be broken into short-term projects involving well stimulations and long-term projects related to using Wavefront's technology in IOR/EOR projects.

For the third quarter 2016, the total revenue related to Powerwave IOR/EOR projects totalled $397,784, which solely relates to international projects. Of the $397,784 of Powerwave IOR/EOR revenue, $271,976 relates to non-recurring revenues related to one international project. As all international IOR/EOR project revenues are denominated in United States currency, the current exchange rates impact the translation of international IOR/EOR projects and revenue recognition.

For the third quarter 2016, Powerwave revenues related to well stimulations totalled $302,847, a decrease of $57,996, compared to $360,843 in the comparative quarter. Of the $302,847 of Powerwave well stimulation revenues, $214,013 relates to international work.

For the third quarter 2016, revenues from the tubing pumps and bailer product totalled $86,970 compared to $207,190 in the comparative quarter.

For the third quarter 2016, Other Technology revenues totalled $6,537 for the reporting quarter compared to $28,300 from the comparative quarter.

Geographically, $97,438 (2015 – $416,072) in revenue was generated in Canada, $84,903 (2015 - $296,806) from the United States, and $611,797 (2015 - $500,341) internationally. The geographic revenues are more specifically described as follows:

Canada. Revenues in our Canadian operation decreased by $318,634 to $97,438 compared to $416,072 in comparative quarter. Powerwave IOR/EOR project revenues totalled $nil (2015 - $113,425); Powerwave stimulation revenues in Canada totalled $10,468 (2015 - $95,457); and tubing pump and bailer revenues totalled $86,970 (2015 - $207,190).

United States. Revenues in our United States operations decreased by $211,903 to $84,903 (2015 - $296,806). Powerwave IOR/EOR project revenues totalled $nil (2015 - $4,366); Powerwave stimulation revenues totalled $78,366 (2015 - $264,139); and Other Technology revenues totalled $6,537 (2015 - $28,300).

International: Revenues outside our Canadian and United States operations increased by $111,456 to $611,797 (2015 - $500,341). For Powerwave IOR/EOR projects revenues totalled $397,784 (2015 - $499,094) Powerwave stimulation revenues internationally totalled $214,013 (2015 - $1,246).

Direct Expenses

Costs of sales for the three month period ended May 31, 2016 were $318,266 or 40.1% of revenues (May 31, 2015 - $631,020 or 52.0% of revenues).

Costs of sales associated with international Powerwave IOR/EOR projects totalled $225,331 or 56.6% of international Powerwave IOR/EOR revenue, which all revenues and costs relate to internationals projects. One international project came to a conclusion during the quarter, and since the contract renewal or extension has not yet been finalized and thus, not assured, all demobilization and shipping costs to return all equipment back to Canada related to the project, totaling $42,439 have been accrued. Should the international project be extended or renewed, the $42,439 will be reversed, thereby reducing costs of sales in the period of any potential extension.

Costs of sales for all Powerwave stimulations approximated 19.3% of Powerwave stimulation revenues.

Gross Profit

The following table sets out the gross profit margins by product line for the third quarter ended May 31, 2016:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 397,784	$ 302,847	$ 86,970	$ 6,537	$ 794,138
Costs of sales	225,331	58,361	33,325	1,249	318,266
	$ 172,453	$ 244,486	$ 53,645	$ 5,288	$ 475,872
Gross profit margin (note 1)	43.4%	80.7%	61.7%	80.9%	59.9%

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

The following table sets out the gross profit margins by product line for the third quarter ended May 31, 2015:

	Powerwave EOR	Powerwave Stimulation	Tubing pumps & bailers	Other Technologies	Total
Revenues	$ 616,885	$ 360,843	$ 207,190	$ 28,300	$ 1,213,218
Costs of sales	452,513	120,884	52,210	5,413	631,020
	$ 164,372	$ 239,959	$ 154,980	$ 22,887	$ 582,198
Gross profit margin (note 1)	26.6%	66.5%	74.8%	80.9%	48.0%

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

Other Expenses

Other Expenses, i.e., not including costs of goods sold, for the third quarter ended May 31, 2016, amounted to $1,123,890, compared to $1,360,769 in May 31, 2015. The change in expenses was principally a result of the following changes:

i) General and administrative expenses decreased by $139,338 (May 31, 2016 - $763,555; May 31, 2015 - $902,893) and principally relate to the following:

- Decreases in wage and benefits expenses by $91,713 to $299,281 principally relates to lower staff levels and the reduction of staff wage and wage benefits by 7.5% and of management wage and wage benefits by 10%. General and administrative wage expenses are also affected by the varying allocations to other functional categories (i.e., sales and marketing, and research and development) and in the manufacturing of Powerwave tools.

- Office expenses decreased by $49,599 to $194,552. The decrease of office expenses principally relates to facility related expenses and insurance expenses. Office rental expense declined due to the accrual of the onerous contract and restructuring charge related to the Calgary sales office that the Company recognized in the prior quarter ended August 31, 2015. Other reductions relate to lower consumables and utilization of services, due to lower staff levels.

- Decrease in repairs and maintenance by $43,766 to $33,068 correspond to decreases in relative revenue amounts

- Decreases in vehicle expenses of $28,444 to $28,431. The decreases principally relates to decreases in non-sales related ground transportation of $16,481, and fuel and maintenance expenses of $12,497. These decreases relate to decreases in revenues and an ongoing effort to manage these expenses relate to more near term revenues.

- Offsetting the above noted decreases was increases in professional fees of $48,332 to $87,395 that principally relates to legal fees related to drafting and reviewing international agreements, USA tax and human resources.

- Also offsetting the above noted decreases the Company were increases in consultant and public company and listing fees by $32,045 to $84,041, and by $11,566 to $16,663 respectively. Increases in consulting fees principally relate to $18,708 in consulting fees accrued for representation in the Middle

East and engineering consulting if $18,834 related to Powerwave tool process improvements. Whereas increases in public company fees principally related to the reversal of accruals in the comparative period as the Company, given the economic relatives, scaled back the scope of investor relations activities and annual general meeting.

ii) Selling and marketing expenses also decreased by $78,560 to $158,106. The decrease principally relates to a reduction of $89,345 in wage expense due to the restructuring of the size of the sales force, specifically in areas where the Company had little sales activities. Additionally, the Company has seen its travel and entertainment decrease by $21,050, however, due to the establishment of additional international distributors and obtaining technology approvals in certain jurisdiction non-sales travel and accommodation increased by $23,459.

iii) Amortization and depreciation expenses decreased by $24,229 to $140,145 from the comparative quarter. The decrease in amortization and depreciation expense is a result of prior period non-cash impairment charges.

iv) Research and development expense remained relatively stable, increasing by $5,248 to $62,084. Of the wage expense within research and development $17,284 relates to labour of our physicist and reservoir engineer that support our Powerwave product line. Wage expense with research and development expense function decreased by $19,147 as less reservoir engineer research was undertaken. During the quarter the Company undertook two projects related to improvements to Powerwave well workover tools and a SCADA system for the Powerwave EOR/IOR controllers amounting, thus far, to $21,060 and $15,981 respectively.

Net Finance Section of Income

Interest income of $15,394 (2015 - $17,106) only includes interest earned for the reporting quarter. Interest earned remained relatively flat despite having lower principal balances in the current reporting period as interest earned was based on an average rate of 1.45% for the quarter ended May 31, 2016 versus 1.05% in the comparative quarter.

Financing cost of $30,013 (2015 - $3,551) includes interest expenses of $90 (2015 - $500), and foreign exchange losses of $29,923 (2015 - $3,051).

Operating Cash Flows

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

	As at May 31, 2016	As at May 30, 2015
Net loss	$ (662,637)	$ (765,016)
Items not affecting cash		
Amortization and depreciation	140,145	164,374
Share-based payment	3,462	24,770
Gain on disposal of property, plant and equipment	350	(390)
Interest expense	90	500
Impact of foreign translation	(60,235)	(18,676)
Funds from (used in) operations	(578,825)	(594,438)

		As at May 31, 2016		As at May, 2015
Funds from (used in) operations		(578,825)		(594,438)
Interest paid		(90)		(500)
Net change in non-cash working capital items		251,102		500,270
Cash used in operating activities	$	(327,813)	$	(94,668)

Net Loss and Comprehensive Loss, and Loss Per Share

The basic and diluted net loss for the quarter ended May 31, 2016 decreased by $102,379 to $662,637 ($0.008 per share), compared to $765,016 ($0.009 per share) for the comparative quarter ended May 31, 2015.

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

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

		As at May 31, 2016		As at May 31, 2015
Net loss	$	(662,637)	$	(765,016)
Items not affecting cash				
Amortization and depreciation		140,145		164,374
Interest and tax expense		2,811		11,271
EBITDA	$	(519,681)	$	(589,371)
EBITDA loss per share	$	(0.006)	$	(0.007)

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

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total current assets decreased by $1,854,685 to $6,934,062 from the prior year end. Of the net decrease, $889,143 relates to a reduction of cash resources, of which $840,474 was used to fund operations, and $39,799 was used for the acquisition of additional Powerwave tools and equipment.

Trade and other receivables amounted to $561,010 (as at August 31, 2015 - $1,116,680), the decrease relates to reductions in trade receivable is a result of decreased invoice volumes and as the Company is more aggressive in its collection and managing cash. Other receivables reflect timing differences in incurring installation expenses and collecting receivables and are directly related to increased Powerwave contracts and our financial accounting policy of recognizing Powerwave revenues and direct costs equally over the term of the contracts.

Non-current assets included a decrease of $425,383, of which $414,483 relates to amortization. Deposits decreased by $35,137 as $17,500 was capitalized for leasehold improvements and $17,637 became refundable and were classified as a receivable.

As at May 31, 2016, the Company continued to disposed of certain assets that were fully impaired (i.e., had a net book value of $nil) or fully amortized in a prior fiscal year. These assets are disposed of by removing costs and accumulated amortization with no income statement effect.

Liabilities

Total liabilities decreased by $49,748 from the prior year-end to $664,216. Of the liabilities, $167,969 relates to trade accounts payable, and $496,247 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 May 31, 2016 and August 31, 2015:

	As at May 31, 2016	As at August 31, 2015	Change
Current assets	6,934,062	8,788,747	(1,854,685)
Current liabilities	(664,216)	(713,964)	49,748
Working capital(note 1)	6,269,846	8,074,783	(1,804,937)

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

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

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

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

Financings

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

Capital Resources

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

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

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

As of July 27, 2016, Wavefront had $5,310,269 of cash on hand. Of the cash on hand, Wavefront has $4,380,347 in short term investments with National Bank Financial and TD Canada Trust. Of the short term investments, $1,750,000 is cashable after February 21, 2016 but maturing on November 23, 2016, and $2,500,000 is cashable after June 19, 2016 without penalty, but maturing on March 21, 2017, with guaranteed interest rates of 1.40% and 1.45% respectively. Additionally $130,348 matures on July 27, 2016 with a guaranteed interest rate of 0.65%.

Credit risk on the Term Deposits investment is linked to the insurance coverage limits as prescribed by the Canadian Deposit Insurance Corporation and that of National Bank Financial.

CONTRACTUAL COMMITMENTS

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

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating lease obligations	$ 1,664,337	$ 306,371	$ 732,375	$ 625,592	$ -

In a prior year, the Company entered into a new office and warehouse space for its Edmonton, Alberta facilities. The office and warehouse lease had a commencement date of February 1, 2011 and a ten year term expiring on January 31, 2021. The future commitment in base rental payments is $997,095 over the balance of the term.

In a prior year, the Company entered into a sales office lease for Calgary, Alberta. The facilities were to create a greater presence for the Company in Calgary. The future commitment in base rental payments is $1,925 over the balance of the term, which expired subsequent to the reporting period.

As well, in a prior year, the Company entered into a new office and warehouse lease in Lloydminster, Alberta. The new facilities were required as our other facilities lease expired and to support our stimulation and workover business. The office lease has a commencement date of July 1, 2012 and a ten (10) year term expiring on June 30, 2022. The balance of the future commitment in base rental payments is $632,180.

The Company is of the opinion that its working capital position of $6,269,486 as at May 31, 2016 is sufficient to cover its current commitments and operations for the forthcoming 12 months. Wavefront may consider future financings based on expected need to finance Powerwave tools, working capital, or acquisitions, and will consider debt financing of its Powerwave tools or an acquisition to better match the assets' life and revenue stream with the financing sources. Any such financing will be dependent on Wavefront's credit rating, quality of licensing contracts, etc.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTION

Expense transaction

In a prior year the Company entered into a Consulting Agreement with a director of the Company to provide certain services, and was amended for a monthly fee of US $3,000 per month. During the three and nine months ended May 31, 2016, the Company recorded $12,026 (May 31, 2015 - $10,678) and $36,080 (May 31, 2015 - $32,034), respectively, in consulting expense, with $nil (August 31, 2014 - $nil) included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

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

Product Liability, Warranties and Uninsured Risks – Although the Company maintains insurance to protect against certain risks in such amounts as it considers commercially reasonable, its insurance will not cover all of the potential risks associated with its operations. The sale of products and services may expose the Company to warranty costs or other potential liability resulting from such use. Although product liability insurance is currently maintained, the obligation to pay a claim in excess of insurance could have a material adverse effect on the business, financial condition and future prospects of the Company. Due to the magnitude of insurance premiums and as the exposure of the Company to a catastrophic total loss of the tools is limited to certain situations, which the Company believes has a low probability of occurring, the Company has currently decided to self-insure its tools. Should a catastrophic loss of tools occur it would have a material adverse effect on the business, financial condition and future prospects of the Company.

ENVIRONMENTAL RISK

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies are disclosed in Note 2, "*Statement of Compliance*", of the Unaudited Interim Condensed Consolidated Financial Statements for the quarter ended May 31, 2016.

FINANCIAL AND OTHER INSTRUMENTS

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

Credit Risk

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

Foreign currency risk

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

Fair value of financial instruments

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

SUPPLEMENTARY INFORMATION

SUMMARY OF QUARTERLY RESULTS AND LOSS PER SHARE

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

		3rd Qtr May 31'16		2nd Qtr Feb 29'16		1st Qtr Nov 31 '15		4th Qtr Aug 31 '15
Revenue	$	794,138	$	531,913	$	914,631	$	693,681
Net Loss	$	(662,637)	$	(802,382)	$	(698,319)	$	(952,640)
Basic and diluted loss per share	$	(0.008)	$	(0.010)	$	(0.008)	$	(0.011)
Common shares outstanding								
Weighted average shares outstanding		82,956,240		82,956,240		82,956,240		82,956,240

		3rd Qtr May 31'15		2nd Qtr Feb 28'15		1st Qtr Nov 30 '14		4th Qtr Aug 31 '14
Revenue	$	1,213,218	$	1,059,555	$	1,493,590	$	1,486,805
Net Loss	$	(765,016)	$	(4,089,528)	$	(2,716,682)	$	(1,005,009)
Basic and diluted loss per share	$	(0.009)	$	(0.049)	$	(0.033)	$	(0.012)
Common shares outstanding								
Weighted average shares outstanding		82,956,240		82,956,240		82,956,240		82,956,240

note 1: All amounts in Canadian dollars except share data

DESCRIPTION OF SHARE CAPITAL

As at May 31, 2016, Wavefront's share capital consisted of the following:

Common shares		
Authorized:		unlimited
Issued and outstanding:		
Free trading		82,956,240
Convertible into common shares		
Incentive stock options	2,345,000	
		2,345,000
Fully diluted share capital:		85,301,240

As at July 27, 2016, Wavefront's number of issued and outstanding shares is 82,956,240.

Market for Securities

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

Options granted during the quarter

No options were granted during the reporting quarter.

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

Options outstanding

As at May 31, 2016

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

CONTROLS AND PROCEDURES

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

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

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

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

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

Forward-looking Information

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

- *under the heading "Outlook" the outlook for Wavefront's business and its long-term plans, including the potential necessity for further cost reductions;*
- *under the heading "Liquidity and Capital Resources", Wavefront's beliefs about its working capital position and cash flow break even and its use of cash; and*
- *under the heading "Contractual Commitments", Wavefront's beliefs about working capital sufficiency and potential sources of financing.*

We provide this forward-looking information for Wavefront's business in order to describe the management expectations and targets by which Wavefront measures its success and to assist Wavefront shareholders in understanding Wavefront's financial position as at and for the periods ended on the dates presented in this report. Readers are cautioned that this information may not be appropriate for other purposes. ***We caution that such "forward-looking statements" involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information****. Such material factors include fluctuations in the acceptance rates of Wavefront's Powerwave and Other Technologies Processes, demand for products and services, fluctuations in the market for oil and gas related products and services, the ability of Wavefront to attract and maintain key personnel, technology changes, global political and economic conditions. For a more detailed description of these risks, and of other risks to which Wavefront is subject, please see the "Risks and Uncertainties", "Environmental Risk" and "Financial and Other Instruments" sections in this Management Discussion and Analysis. In determining Wavefront's forward-looking statements, Wavefront considers material factors including assumptions and expectations regarding customer demand and adoption rates for Wavefront's products; commodity prices and interest and foreign exchange rates; and the availability and cost of inputs, labour and services, patent, technology and competitive risk. Many of these factors are beyond Wavefront's control and have effects which are difficult to predict. These material risk factors and material assumptions are not intended to represent a complete list of the factors that could affect Wavefront; please see other factors that are described in further detail in Wavefront's continuous disclosure filings, from time to time, and available on SEDAR at www.sedar.com. Investors and the public should carefully consider these factors, other uncertainties and potential events, and the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to Wavefront.*

The forward-looking statements contained herein represent Wavefront's expectations at July 27, 2016, and, accordingly are subject to change after such date. Except as may be required by law, Wavefront does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time.

ADDITIONAL INFORMATION

Additional information regarding Wavefront Technology Solutions Inc. can be found on System for the Electronic Document Analysis and Retrieval ("SEDAR" at www.sedar.com).