

Unaudited Condensed Consolidated Interim Financial Statements of

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Three and nine months ended May 31, 2018 and 2017

TABLE OF CONTENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed consolidated interim statements of financial position	1
Condensed consolidated interim statements of net income (loss) and comprehensive income (loss)	2
Condensed consolidated interim statements of changes in shareholders' equity	3
Condensed consolidated interim statements of cash flows	4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1	Nature of operations and corporate information	5
Note 2	Statement of compliance and going concern	5
Note 3	Property, plant and equipment	8
Note 4	Share capital	9
Note 5	Income (loss) per share	11
Note 6	Related party transaction	11
Note 7	Segmented information	11
Note 8	Subsequent events	12

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company is disclosing that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the periods ended May 31, 2018 and 2017.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Financial Position
As at May 31, 2018 and August 31, 2017
(Canadian dollars)
(Unaudited)

	<u>Note</u>	<u>May 31,</u> <u>2018</u>	<u>August 31,</u> <u>2017</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 1,040,683	\$ 2,444,249
Trade and other receivables		1,383,517	1,125,930
Inventories	3	58,092	170,133
Prepaid expenses and other current assets		322,375	33,269
		2,804,667	3,773,581
NON-CURRENT ASSETS			
Deposits		24,150	24,150
Property, plant and equipment	3	1,057,200	1,438,753
		\$ 3,886,017	\$ 5,236,484
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable and accrued liabilities		\$ 933,284	\$ 1,086,753
SHAREHOLDERS' EQUITY			
Share capital	4 b	66,478,826	66,438,909
Share based payment reserve	4 d	9,397,635	9,363,732
Accumulated other comprehensive income		570,822	548,324
Deficit		(73,494,550)	(72,201,234)
		2,952,733	4,149,731
		\$ 3,886,017	\$ 5,236,484
Going concern	2		
Subsequent events	8		

The accompanying notes are an integral part of these condensed consolidated interim financial statements

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Net Loss and
Comprehensive Loss
Three and nine month periods ended May 31, 2018 and 2017
(Canadian dollars)
(Unaudited)

		For the three months ended		For the nine months ended	
		May 31,	May 31,	May 31,	May 31,
	Note	2018	2017	2018	2017
Revenue		\$ 1,125,103	\$ 525,371	\$ 2,258,403	\$ 1,640,103
Cost of sales		166,911	204,735	401,140	586,122
Loss on disposal of property, plant and equipment, and inventory		-	-	258,017	-
General and administrative		669,060	953,280	2,097,606	2,951,682
Amortization and depreciation	3	70,855	92,573	213,459	259,950
Sales and marketing		143,240	172,491	525,285	494,602
Research and development		20,512	39,641	65,048	108,921
		1,070,578	1,462,720	3,560,555	4,401,277
OPERATING INCOME (LOSS)		54,525	(937,349)	(1,302,152)	(2,761,174)
OTHER (EXPENSES) INCOME					
Financing costs		(4,002)	(278)	(5,376)	(1,599)
Financing income		3,860	15,486	14,212	42,144
		(142)	15,208	8,836	40,545
NET INCOME (LOSS)		54,383	(922,141)	(1,293,316)	(2,720,629)
OTHER COMPREHENSIVE INCOME					
Items that may be reclassified subsequently to net income (loss)					
Translation gain on foreign operations		8,843	10,000	22,498	17,345
COMPREHENSIVE INCOME (LOSS)		\$ 63,226	\$ (912,141)	\$ (1,270,818)	\$ (2,703,284)
WEIGHTED AVERAGE NUMBER OF SHARES					
Basic and diluted	5	82,966,588	82,956,240	82,966,588	82,956,240
INCOME (LOSS) PER COMMON SHARE					
Basic and diluted	5	\$ 0.001	\$ (0.011)	\$ (0.016)	\$ (0.033)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of
Changes in Shareholders' Equity
Three and nine month periods ended May 31, 2018 and 2017
(Canadian dollars)
(Unaudited)

	Share capital	Share based payment reserve	Accumulated other comprehensive (loss) income	Deficit	Total
Balance at August 31, 2016	66,438,909	9,025,103	574,109	(68,491,140)	\$ 7,546,981
Net Loss	-	-	-	(2,720,629)	(2,720,629)
Translation gain on foreign operations	-	-	17,345	-	17,345
Recognition of shared-based payments	-	295,527	-	-	295,527
Balance at May 31, 2017	66,438,909	9,320,630	591,454	(71,211,769)	\$ 5,139,224
Net Loss	-	-	-	(989,465)	(989,465)
Translation gain on foreign operations	-	-	(43,130)	-	(43,130)
Recognition of shared-based payments	-	43,102	-	-	43,102
Balance at August 31, 2017	66,438,909	9,363,732	548,324	(72,201,234)	\$ 4,149,731
Net Loss	-	-	-	(1,293,316)	(1,293,316)
Translation loss on foreign operations	-	-	22,498	-	22,498
Exercise of options	39,917	(16,417)	-	-	23,500
Recognition of shared-based payments	-	50,320	-	-	50,320
Balance at May 31, 2018	\$ 66,478,826	\$ 9,397,635	\$ 570,822	\$ (73,494,550)	\$ 2,952,733

The accompanying notes are an integral part of these condensed consolidated interim financial statements

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Cash Flows
Nine month periods ended May 31, 2018 and 2017
(Canadian dollars)
(Unaudited)

	<u>Note</u>	<u>May 31,</u> <u>2018</u>	<u>May 31,</u> <u>2017</u>
OPERATING ACTIVITIES			
Net loss		\$ (1,293,316)	\$ (2,720,629)
Changes to loss not including cash			
Loss (gain) on disposal of property, plant and equipment, and inventory		264,096	34,027
Amortization and depreciation	3	213,459	259,950
Share-based payments	4 d	50,320	295,527
Impact of foreign translation		12,513	(17,478)
Interest expense		(5,376)	(1,599)
Change in inventory		7,576	24,298
Interest paid		5,376	1,599
Change in deposits		-	1,209
Change in trade and other payables		(153,469)	283,161
Change in trade and other receivables		(182,587)	(822,377)
Change in prepaid expenses		(289,106)	(25,676)
Cash used in operating activities		(1,370,514)	(2,687,988)
Financing Activities			
Proceeds from exercise of options	4 d	23,500	-
Cash from in financing activities		23,500	-
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(64,780)	(41,618)
Proceeds on disposal of property, plant and equipment		-	37,427
Cash used in investing activities		(64,780)	(4,191)
Foreign exchange gain (loss) on cash held in foreign currency		8,228	32,410
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(1,403,566)	(2,659,769)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		2,444,249	5,575,995
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 1,040,683	\$ 2,916,226
CASH AND CASH EQUIVALENTS			
Cash denominated in CDN		\$ 766,104	\$ 2,843,272
Cash denominated in USD		212,062	54,040
Foreign currency translation amount		62,517	18,914
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 1,040,683	\$ 2,916,226

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
Three and nine months ended May 31, 2018 and 2017
(Canadian dollars)
(Unaudited)

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Through an international distribution network service from Edmonton, AB, Wavefront Technology Solutions Inc.'s ("Wavefront" or the "Company") is a global leader in the advancement of dynamic fluid injection technology for oil and gas well stimulation and Improved/Enhanced oil ("IOR/EOR") recovery.

The Company is incorporated under the Canada Business Corporations Act. Its shares are listed on the TSX Venture Exchange under the symbol of WEE and also trade on the OTCQX International under the symbol of WFTSF.

The address of the registered head office of the Company is 5621 – 70 Street NW, Edmonton, Alberta. The Company is domiciled in Canada.

2. STATEMENT OF COMPLIANCE

a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies under International Financial Reporting Standards ("IFRS") for interim financial information. These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements for the fiscal year ended August 31, 2017, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were applicable from September 1, 2017, as described in the unaudited condensed consolidated interim financial statements for the period ended May 31, 2018.

These unaudited condensed consolidated interim financial statements were approved for issue on July 26, 2018.

b) Going concern

These condensed interim consolidated financial statements were prepared on a going concern basis. The going concern basis of accounting assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended May 31, 2018 and 2017

(Canadian dollars)

(Unaudited)

At May 31, 2018, the Company had yet to achieve profitable operations, had an accumulated deficit of \$73,494,550 (August 31, 2017 - \$72,201,234) and for the nine months ended May 31, 2018, had recognized a net decrease in cash and cash equivalents of \$1,403,566 (May 31, 2017 - \$2,659,769). Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. The lack of profitable operations and continuing decreases in cash and cash equivalents may cast significant doubt on the Company's ability to continue as a going concern.

The Company currently has a working capital of \$1,871,383 (August 31, 2017 - \$2,686,828).

The ability to continue as a going concern is dependent on equity or debt financings and / or generating profitable operations in the future in order to meet liabilities as they come due and enable the Company to continue operations. The ability to continue as a going concern may also be adversely impacted by technology adoption rates, sales cycles, the addition or loss of customers, and sales per customer. The outcome of such matters cannot be predicted.

These condensed interim consolidated financial statements do not include any adjustments which could be significant to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to obtain equity or debt financings and / or generate profitable operations in the future. Failure to continue as a going concern would require the restatement of assets, liabilities and shareholders' deficiency on a liquidation basis, which could differ materially from the going concern basis.

c) Changes in accounting policies

The following standards, that are applicable to the Company, have been adopted for the first time effective September 1, 2017:

Statement of Cash Flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7 "Statement of Cash Flows". The amendments will require entities to provide disclosure that enables users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. This amendment affects presentation only and has no impact on the Company's financial position or performance.

Income Taxes ("IAS12")

In January 2016, the IASB issued amendments to IAS 12 "Income Taxes". The amendments were related to the recognition of deferred tax assets for unrealized losses, which clarified how to account for deferred tax assets related to debt instruments measured at fair value. This amendment will have no impact on the Company's financial position or performance.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
Three and nine months ended May 31, 2018 and 2017
(Canadian dollars)
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d) New standards issued but not adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

Share-based Payments (“IFRS 2”)

In June 2016, IASB issued amendments to IFRS 2 “Share-based Payments”. The amendments clarified the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with a net settlement feature and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Financial Instruments: Classification of Measurement (“IFRS 9”)

IFRS 9, Financial Instruments, will replace IAS 39, Financial Instruments: Recognition and Measurement. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Revenue from Contracts with Customers (“IFRS 15”)

In April 2016, the IASB issued amendments to IFRS 15 “Revenue from Contracts with Customers”. The amendments clarified three aspects of the standard (identifying performance obligations, principal versus agent considerations and licensing) and provided some transition relief for modified contracts and completed contracts. The amendments are effective for annual periods beginning on or after January 1, 2018 (same effective date as IFRS 15 itself), with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Leases (“IFRS 16”)

IFRS 16, *Leases*, was issued by the IASB in January 2016, and will replace International Accounting Standards (“IAS”) 17, “Leases”. IFRS 16 will bring most leases on-balance sheet for leases under a single model, eliminating the distinction between operating and finance leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The new standard effective for annual periods beginning on or after January 1, 2019, with early application permitted if IFRS 15 has also been applied. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
Three and nine months ended May 31, 2018 and 2017
(Canadian dollars)
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3. PROPERTY, PLANT AND EQUIPMENT

As at May 31, 2018	Tools and equipment	Computer, automotive and office equipment	Leasehold improvements	Total
Cost				
Balance at August 31, 2017	\$ 3,965,659	\$ 875,095	\$ 862,875	\$ 5,703,629
Additions	64,780	-	-	64,780
Disposals	(454,188)	(92,104)	(271,728)	(818,020)
Impact of foreign translation	7,141	7,553	-	14,694
Balance at May 31, 2018	3,583,392	790,544	591,147	4,965,083
Accumulated depreciation				
Balance at August 31, 2017	(2,978,842)	(770,710)	(515,324)	(4,264,876)
Depreciation	(121,494)	(23,861)	(68,104)	(213,459)
Disposals	355,715	72,802	154,872	583,389
Impact of foreign translation	(6,568)	(6,369)	-	(12,937)
Balance at May 31, 2018	(2,751,189)	(728,138)	(428,556)	(3,907,883)
Net book value				
Balance at May 31, 2018	\$ 832,203	\$ 62,406	\$ 162,591	\$ 1,057,200

Depreciation expense for the nine months ended May 31, 2018 was \$213,459 (May 31, 2017 - \$259,950).

As at May 31, 2018 property, plant and equipment includes tools and equipment under construction of \$342,866 (August 31, 2017 - \$312,236), which are not being depreciated. Included in the equipment under construction is \$236,196 (August 31, 2017 - \$236,196) of raw material and consumable inventory associated with the Powerwave cash generating unit ("CGU"). The classification of raw material and consumable inventory to non-current is based on a prior period's analysis of inventory that is not expected to be consumed with the Company's next operating cycle.

Effective February 28, 2018, the Company disposed of the balance of tools in its tubing pump and bailer CGU at various locations along with certain other assets, and the purchaser was assigned and assumed the Lloydminster field office lease (together the "Disposition").

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

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
Three and nine months ended May 31, 2018 and 2017
(Canadian dollars)
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As at May 31, 2018, the Company assessed impairment indicators for the Company's Powerwave CGU and concluded that apart from prior years' impairment indicators that no impairment indicators were present.

4. SHARE CAPITAL

The Company's authorized and issued share capital is as follows:

a) Authorized share capital

Unlimited common shares without par value

b) Issued common shares

The Company's issued share capital is as follows:

There were no changes in the Company's outstanding common shares, which have the following balances:

			May 31, 2018
	Number		Stated capital
Balance, beginning of period	82,956,240	\$	66,438,909
Stock options exercised ⁽¹⁾	75,000		39,917
Balance, end of period	83,031,240	\$	66,478,826

- 1) Of the 75,000 stock options exercise, 25,000 of stock options exercised were by a Director of the Corporation during the period ended February 28, 2017 at a price of \$0.38 for gross proceeds of \$9,500.
- 2) Subsequent to the reporting period ended May 31, 2018, the Company issued 4,341,333 common shares at a price of \$0.30 together with 4,496,943 share purchase warrants at a price of \$0.45.

c) Stock-based compensation plan

The Company maintains an Employee, Director, Officer and Consultant Stock Option Plan under which the Company may grant incentive stock options for up to 10,771,558 shares of the Company at an exercise price not be less than the "Discounted Market Price" (as defined in the policies of the TSX Venture Exchange), provided that the exercise price shall not be less than \$0.05 per share. All stock options awarded are exercisable for a period of up to ten years and vest, at a minimum, in equal tranches at three month intervals over a period of eighteen months.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
Three and nine months ended May 31, 2018 and 2017
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Movements in stock options during the period

A summary of the status of the Company's Stock Option Plan is presented below:

		May 31, 2018
	Number	Weighted average exercise price
Outstanding, beginning of period	4,325,000	\$ 0.27
Granted	200,000	0.46
Forfeited	(25,000)	0.28
Exercised	(75,000)	0.31
Expired unexercised	(525,000)	0.38
Outstanding, end of period	3,900,000	\$ 0.26

Fair value of stock options granted during the period

The fair value for the compensation costs of stock options issued to both employees and non-employees were calculated using the Black-Scholes option pricing model resulting in an additional charge to general and administrative expense with a corresponding increase in share based payment reserve.

During the nine months ended May 31, 2018, the Company incurred \$50,320 (May 31, 2017 - \$295,527) in compensation expense relating to outstanding stock options.

d) Share-based payment reserve

	May 31, 2018
Balance, beginning of period	\$ 9,363,732
Share-based payments	50,320
Stock options exercised	(16,417)
Balance, end of period	\$ 9,397,635

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
Three and nine months ended May 31, 2018 and 2017
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5. INCOME (LOSS) PER SHARE

The weighted average number of common shares outstanding for basic and diluted income (loss) per share is 82,966,588 (May 31, 2017 - 82,956,240).

In determining diluted loss per share, the weighted average number of shares outstanding for the period ended May 31, 2018 excluded 638,607 (May 31, 2017 – 436,246) for stock options eligible for exercise where the average market price of the common shares for the year exceeds the exercise price because the result was anti-dilutive in both periods.

6. RELATED PARTY TRANSACTION

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 three and nine months ended May 31, 2018, the Company recorded \$19,269 (May 31, 2017 – \$20,220) and \$56,996 (May 31, 2017 – \$59,949) respectively in consulting expense, with \$nil (August 31, 2017 - \$nil) included in accounts payable and accrued liabilities.

7. SEGMENTED INFORMATION

The Company is a technology company and 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 and geographic areas, in identifying its reportable segment. The operating segment(s) of the Company is defined as component(s) 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. The Company has one group of similar products due to having a similar underlying technology, class of customers, and economic characteristics.

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Notes to the Condensed Consolidated Interim Financial Statements

Three and nine months ended May 31, 2018 and 2017

(Canadian dollars)

(Unaudited)

Geographic information

	Revenue		Assets	
	May 30, 2018	May 30, 2017	May 30, 2018	August 31, 2017
North America	\$ 411,646	\$ 857,514	\$ 2,703,120	\$ 4,709,523
Middle East	1,519,990	404,887	1,046,730	363,719
Other	326,767	377,702	136,167	163,242
	\$ 2,258,403	\$ 1,640,103	\$ 3,886,017	\$ 5,236,484

For its geographic segments, the Company has allocated assets based on their physical location and revenue based on the location of the customer.

Significant customers

During the period ended May 31, 2018, the Company recorded revenue from 22 customers (May 31, 2017 - 29 customers). Sales in the period ended May 31, 2018 from the top three customers amounted to \$865,709, \$546,184 and \$185,133 which represented 38.3%, 24.2% and 8.2% respectively, of total revenue. Sales in the period ended May 31, 2017, from the top three customers amounted to \$484,581, \$226,130 and \$180,393 which represented 29.6%, 13.8% and 11.0% respectively, of total revenue.

8. SUBSEQUENT EVENTS

Subsequent to the reporting period ended May 31, 2018, the Company closed a non-brokered private placement of \$1,302,400 through the issuance of 4,341,333 units of the Company at a price of \$0.30 per unit (the "Unit"). Each Unit will consist of one common share in the share capital of the Company, and one common share purchase warrant (a "Warrant"), with each Warrant being exercisable for one common share of the Company at an exercise price of \$0.45 for a period of 12 months after the closing date; provided that, commencing on the date that is four months and one day after the closing of the Offering, if the volume weighted average trading price of a common share on the Exchange is at a price equal to or greater than \$0.65 for a period of more than 20 consecutive trading days.

Finder's fees of 7% cash totaling \$46,683 and the issuance of 155,610 Warrants of the Company were paid on portions of the private placement.