



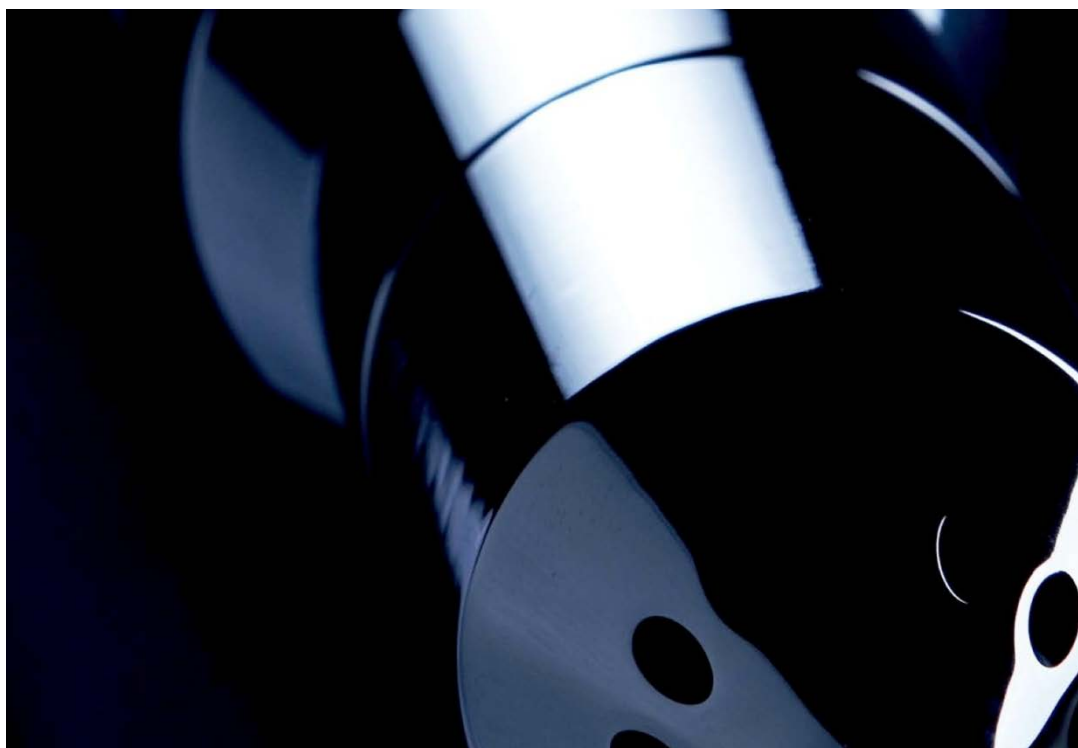
Wavefront Technology Solutions Inc.

☒ Quarterly Report

☐ For the first

☐ Quarter 2019, ended

☐ November 30, 2018



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 November 30, 2018 and 2017 and is based on information available to January 28, 2019. Additional information on Wavefront Technology Solutions Inc.'s (the "Company" or "Wavefront") is available on SEDAR at www.sedar.com.

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

MANAGEMENT'S RESPONSIBILITY

Management has prepared this Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Wavefront Technology Solutions Inc.'s (the "Wavefront" or "the Company") financial results prepared in accordance with International Financial Reporting Standard ("IFRS"). The MD&A primarily compares the unaudited financial results for the first quarter ended November 30, 2018 and 2017. Management has established and maintains an accounting and reporting system supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the IFRS's financial records (also see section titled "Controls and Procedures" page 14). 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 November 30, 2018 and 2017 as well as the audited consolidated financial statements for the period ended August 31, 2018 and 2017 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; and, 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 January 28, 2018.

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

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OVERVIEW OF BUSINESS

As an Oil Field Service ("OFS") provider Wavefront 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. Wavefront's core technology, marketed under the brand name, "PowerwaveTM", can be viewed as industry altering and has proven to increase oil and gas production rates; decrease oil production decline rates; and, reduce well stimulation chemical costs while also increasing post-stimulation production or injection sustainability rates for exploration and production companies ("E&P's"). Wavefront operates in the global market place dealing directly with E&P's and through an international network of distributors and agents. Powerwave is also a potential disruptive technology to OFS providers as Powerwave's benefits to E&P's has provided Wavefront distributors competitive advantages and allows them to gain or maintain market share and sell other bundled services. Powerwave may also have the effect of reducing traditional oilfield chemicals sales volumes as the technology overcomes certain geological constraints normally requiring specialized chemicals.

Powerwave is marketed in two primary areas:

- i. Well stimulation; and,
- ii. IOR/EOR.

A well stimulation is an operation performed on a well to restore or enhance productivity or improve injection. In most instances a chemical is pumped into the well to stimulate a producing or injection interval. In other cases stimulation is used to remove scales such as calcium carbonate or barite, to rid a well of accumulated waxes on tubulars or to remove fill.

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 is the injection of a fluid to mobilize bypassed oil.

With a focus on the Middle East region Wavefront employs both selective and exclusive distribution channels for its Powerwave technology in the international oil and gas market place. In certain jurisdictions Wavefront's international marketing partners are reputable coiled tubing OFS providers who can effectively market and deliver the value added benefits Powerwave brings to well stimulation. In other instances Wavefront retains local agents to market directly to E&P customers or undertakes all marketing and sales directly itself. In all cases Wavefront provides technical and marketing support with the goal of maximizing gross profitability on Powerwave use.

OUTLOOK

A supply glut and fears of a slowing global economy sparked by uncertainty around trade wars saw crude oil tumble nearly 40% in the final calendar quarter of 2018. At the end of December 2018 US WTI crude traded at US\$44.48/barrel while Brent crude traded at US\$51.49/barrel. Since the beginning of January 2019 and supported by OPEC and non-OPEC producers, such as Russia, cutting production levels coupled with on-going political and supply issues in Iran, Libya, and Venezuela saw US WTI crude close at US\$52.31/barrel on January 16, 2019 while Brent crude closed at US\$61.32 on the same date. Moving forward the Company maintains that both WTI and Brent crude oil prices will be strongly influenced by geopolitical dynamics and as such oil price volatility in calendar 2019 may adversely affect capital and discretionary spending by E&P companies. Though Wavefront continues to be upbeat about the immediate future Management believes that a protracted period of WTI crude oil below US \$45/barrel and Brent crude oil below

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US\$55/barrel will see E&P companies shutter drilling activities and par down stimulation work to a maintenance mode thus impacting the Company's revenue generating ability.

The fourth calendar quarter being an integral part of Wavefront's first and second fiscal quarters tends to be challenging seeing activity levels of E&P producers drop as budgetary limits for the year are met. This is demonstrated in Wavefront's first quarter ended November 30, 2018 results. Through the first fiscal quarter of 2019 for our valued distributors in the Kingdom of Saudi Arabia; Kuwait; Oman; Algeria; India; and, Colombia the Company anticipates increased activity throughout the remainder of FY 2019 as Powerwave becomes more sought after for effective well stimulation. Wavefront will continue to aggressively position itself in the jurisdictions where we have built a solid foundation and reputation. For the remainder of FY 2019 a strong emphasis will be placed on increasing the Company's footprint in the United States in fiscal 2019 as overall oil and gas activity levels in the Permian Basin are anticipated to continue to grow provided WTI crude prices remain above the threshold of US\$ 45/barrel.

Wavefront's projected activities may have associated recurring costs which will be carefully monitored and controlled relative to revenue generation and Management will continue to be highly focused on overall cost discipline across all functional areas of the organization.

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 and any bundling or cross use thereof, types of customers, operating segment served within the industry and similarity of segments with other OFS companies, quantitative and qualitative thresholds, etc.) and geographic areas, in identifying its reportable segment. The operating segment of the Company is defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Company is the President and Chief Executive Officer.

Within this MD&A, however, Wavefront provides additional product level information such as revenues by product line and geography, and gross profit margins¹ by product line, as it believes this additional supplemental information is useful to investors with respect to the development of the business.

For the first quarter 2019 (i.e., three months ended November 30, 2018) gross revenues amounted to \$943,753 an increase of \$667,086 or 241.1% from the comparative quarter (i.e., three months ended November 30, 2017) revenues of \$276,667. Of the revenues for the reporting quarter, \$840,403 relates to Powerwave stimulations, with \$653,503 of those revenues being derived from the Middle East, an increase of \$629,933 or 2,672.6% over the comparative quarter.

By continuing to leverage Wavefront's distributor's network with a strong focus on Powerwave well stimulation, the Company has also been able to decrease expenses, excluding costs of goods sold, by \$87,779 from the comparative quarter. Net losses, as a result, for the quarter ended November 30, 2018 decreased by \$790,656 to \$45,947 (or net loss per share of \$0.001), compared to the comparative quarter's reported net a loss of \$836,603 (or net loss per share of \$0.01).

¹ Gross profit margin is gross profit divided by gross revenue. Gross profit margin is a non-IFRS measure with no comparable IFRS measure.

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In the first quarter 2019, the Company was able to generate cash flows from operations of \$340,900, an increase of \$1,108,533 over the comparative quarter which saw cash used in operations of \$767,633. The first quarter's cash flows from operations of \$340,900 is also an increase of \$146,450 over that generated in the prior quarter (i.e., three months ended August 31, 2018 cash flows from operations was \$194,450).

Impairment

As at November 30, 2018, the Company assessed impairment indicators for the Company's Powerwave CGU and concluded that no indicators of impairment were present.

CONSOLIDATED RESULTS – THREE MONTHS ENDED NOVEMBER 30, 2018

Revenues

For the first quarter 2019 gross revenues amounted to \$943,753, an increase of \$667,086 or 241.1% from the comparative first quarter revenues of \$276,667. Revenues related to Powerwave stimulations for the first quarter 2019 increased by \$676,903 or 414.0% to \$840,403 compared to \$163,500 in the comparative quarter. Powerwave stimulation revenues for the reporting quarter from the Middle East had the most dramatic impact to revenue increasing by \$629,933 or 2,672.6% to \$653,503. North American stimulation revenues totalled \$84,980 and remain behind historical norms, while Powerwave stimulation in other international regions totalled \$101,920.

For the first quarter 2019 revenues related to Powerwave IOR/EOR projects totalled \$98,149 (2018 - \$61,043). The Company's sole IOR/EOR project is in Oman and is denominated in United States currency. At each reporting date all foreign currency projects are re-valued and translated into Canadian currency. Current exchange rates may impact international IOR/EOR project revenue recognition amounts.

Geographically, \$90,180 (2018 - \$95,847) in revenue was generated in North America, \$751,652 (2018 - \$23,570) in the Middle East, and \$101,920 (2018 - \$157,250) in other international geographic regions. The geographic revenues are more specifically described as follows:

North America: Revenues in North America decreased marginally by \$5,666 to \$90,181 compared to \$95,847 in comparative quarter. Powerwave stimulation revenues in North America increased by \$41,316 or 94.6% to \$84,980 (2018 - \$43,664) but have still to return to historical norms; Other Technology revenues totalled \$5,200 (2018 - \$9,169); and tubing pump and bailer revenues totalled \$nil (2018 - \$43,015) due to the aforementioned Disposition.

Middle East: Revenues in the Middle East increased by \$728,082 or 3,089.0% to \$751,652 (2018 - \$23,570). Powerwave stimulation revenues in the Middle East increased by \$629,933 or 2,672.6% to \$653,503 (2018 - \$23,570); and Powerwave IOR/EOR projects revenues totalled \$98,149 (2018 - \$nil).

Other International: Revenues outside of North America and the Middle East decreased by \$55,330 to \$101,920 (2018 - \$157,250) due to expiring IOR/EOR projects. Powerwave stimulation revenues in other international markets totalled \$101,920 (2018 - \$96,207); and Powerwave IOR/EOR projects revenues totalled \$nil (2018 - \$61,043).

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Costs of Sales

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

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.

Costs of sales for the three month period ended November 30, 2018 were \$84,829 or 9.0% of revenues (November 30, 2017 - \$84,190 or 30.4% of revenues), which is principally a result of:

- i) A greater proportion of revenues being derived through distributors over direct sale to E&Ps;
- ii) The disposition of property, plant and equipment and inventory of tubing pumps and bailer tools and certain other assets, and the associated assignment of the Lloydminster lease (the Disposition) effective February 28, 2018; and,
- iii) A one-time expense credit or expense reduction of \$29,566 in Powerwave stimulation costs related to the reversal of prior period accruals.

Costs of sales associated with Powerwave IOR/EOR projects totalled \$74,058 or 75.5% of Powerwave IOR/EOR revenue, whereas costs of sales for all Powerwave stimulations approximated \$10,682 and were positively impacted by the aforementioned reduction of \$29,566 in cost of sales accruals. Excluding the aforementioned one-time expense credit, Powerwave stimulation costs of sales approximated \$40,248.

Other Expenses

Other expenses (i.e., not including costs of goods sold) for the first quarter 2019 ended November 30, 2018 declined by \$87,779 to \$938,335 compared to \$1,026,114 for November 30, 2017. The changes in expenses were principally a result of the following:

- i) Selling and marketing expenses decreasing by \$48,130 to \$161,349. The decreases are principally related to decreases in Middle East and other international travel related expenses of \$30,381, and decreases in wage and wage benefits of \$15,782 related to the tubing pump and bailer Disposition.
- ii) Amortization and depreciation expenses decreased by \$25,867 to \$44,701 from the comparative quarter. The decrease in amortization and depreciation expense is a result of prior period non-cash impairment charges, and the aforementioned Disposition of property, plant and equipment and inventory of tubing pumps and bailer tools and certain other assets, and the associated assignment of the Lloydminster lease.
- iii) General and administrative expenses decreased by \$20,484 (November 30, 2018 - \$703,599; November 30, 2017 - \$724,083) and principally relate to the following:
 - Office expense decreased by \$55,303 to \$121,525, and principally relate to the Disposition of the tubing pumps and bailer assets and the assignment of the Lloydminster office and warehouse lease.

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- Bad debt expense decreased by \$27,422 to an expense credit of \$968, and principally relates to the prior quarter's (i.e., the period ended August 31, 2018) prior period's collection of aged accounts, and the non-cash, one-time, write-off for of \$431,842 against a Permian Basin-based client's aged accounts over 120 days, and thus, few accounts are over 90 days, so allowances for bad debts has decreased substantially in the current period.

It is the intent of the Company's Management to continue to aggressively pursue and secure the outstanding amount owing including interest, to Wavefront. Should any receipt of payment occur, Wavefront will record a bad debt recovery, i.e., an expense credit, reversing the bad debt expense, and will accordingly disclose.

- Repairs and maintenance expenses decreased by \$26,474 to \$29,291, and principally relate to the Disposition of the tubing pumps and bailer and related assets and the field work related to that product line.
 - Vehicle expenses also decreased by \$23,594 to \$8,874, and principally relates to the Disposition of the tubing pumps and bailer and related assets and the field work related to that product line.
 - Consulting expenses decreased by \$5,803 to \$110,297, and principally relates to a reduction in the mix in the number and types of engagement of reservoir engineering consultants and representatives in the Middle East, which was offset by increases in engineering consulting fees related to new tool development and IT consulting.
 - Share based payments decreased by \$3,868 to \$14,065. The decrease of share based payments relate to the valuation and near full expensing of 1,975,000 and 70,000 incentive stock options (issued in the prior year to employees and insiders) in the comparative and prior quarters. During a prior period the Company issued 200,000 stock options to a firm the Company engaged to assist in investment relations, which had a current quarter expense of \$14,065. The \$18,418 unamortized expense valuation of the 200,000 stock options is the only unamortized stock option expense that will be expensed over future periods.
 - Offsetting the above noted decrease were increases in: professional fees increased by \$38,924 to \$119,277; increases in wage and benefits increased by \$17,051 to \$253,820; and increases in public company and listing fees increased by \$11,237 to \$47,390. The increases of professional fees principally relate to non-capital patent legal expense and non-audit accounting fees in the current quarter. Whereas the increase of wage and benefit expenses are principally a function of decrease in allocations to other functional expense categories, in particular costs of goods sold and sales and marketing; as overall wage and wage benefits paid (i.e., irrespective of functional allocation amounts) amounted to \$400,788 (as of November 30, 2017 - \$432,799), the decrease of which relates to the Disposition of the tubing pumps and bailer and related assets. The increase in public company and listing fees principally relate to increases in independent board member honorariums.
- iv) The Company also had a marginal increase in research and development expense of \$5,768 to \$27,752. Of the wage expense within research and development \$15,792 relates to labour of a physicist and reservoir engineer that support the Company's Powerwave product line.

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Net Finance Section of Income

Financing cost of \$1,459 (2018 - \$7,777) includes interest expense for the reporting quarter of \$1,459 (2018 - \$2,573), with a foreign exchange loss \$5,204 in the comparative reporting quarter only.

Interest income of \$34,923 (2018 - \$4,811) includes interest earned for the reporting quarter of \$8,145 (2018 - \$4,811), and foreign exchange gain of \$26,778 in the current reporting quarter only.

Operating Cash Flows

The following table sets out the cash used in operations for the first quarter ended November 30, 2018 and 2017:

	As at November 30, 2018	As at November 30, 2017
Net Loss	\$ (45,947)	\$ (836,603)
Changes to loss not including cash		
Amortization and depreciation	44,701	70,568
Share-based payments	14,065	22,908
Interest expense	1,459	2,573
Loss on disposal of property, plant and equipment	934	-
Impact of foreign translation	(17,276)	12,072
Change in inventory	(40,315)	(96)
Change in trade and other payables	(13,144)	147,240
Change in deposits	(9,361)	-
Interest paid	(1,459)	(2,573)
Change in prepaid expenses	40,798	(289,014)
Change in unearned revenue	101,013	4,059
Change in trade and other receivables	265,432	101,233
Cash from (used in) operating activities	\$ 340,900	\$ (767,633)

Cash from operating activities increased by \$1,108,533 over the comparative period, and also increased by \$146,450 as compared to cash from operating activities in the prior quarter (i.e., cash from operating activities for the three months ended August 31, 2018 of \$194,450). Cash flows from operating activities for the quarter was principally impacted by non-working capital items.

The quarter ended November 30, 2018 is the third consecutive quarter where cash from operations is positive and has grown (i.e., cash from operations for the three months ended: November 30, 2018 - 340,900, for August 31, 2018 - \$194,450, and May 31, 2018 - \$63,287). Future periods' cash flows from operations is dependent on non-cash working capital items and the continued commercialization of Powerwave, particularly in the Middle East.

Net cash and cash equivalents increased by \$398,853 to \$2,986,181 from \$2,587,328 that was reported for the fiscal year ended August 31, 2018.

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Net Loss and Comprehensive Loss, and Loss Per Share

The basic and diluted net loss for the first quarter 2019, i.e., the three months ended November 30, 2018 was \$45,947 (or \$0.001 loss per share), a decrease of \$790,656 from the comparative quarter ended November 30, 2017 which reported a net loss of \$836,603 (or \$0.0100 loss per share).

The comprehensive loss of \$41,150 was positively impacted by foreign translation gain of \$4,797 on its foreign, wholly owned, subsidiary in the United States versus the reported comprehensive loss of \$820,118 reported in the comparative reporting quarter ended November 30, 2017.

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

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

	As at		As at	
	November 30, 2018		November 30, 2017	
Net Loss	\$	(45,947)	\$	(836,603)
Items not affecting cash				
Amortization and depreciation		44,701		70,568
Interest and tax expense		1,459		2,573
EBITDA (loss)	\$	213	\$	(763,462)
EBITDA (loss) per share	\$	0.000	\$	(0.009)

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

The EBITDA of \$213 for the first quarter 2019 also represents an increase of \$440,312 over that generated in the prior quarter (i.e., an EBITDA loss of \$440,099 for three months ended August 31, 2018).

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total assets increased by \$104,285 to \$4,730,219 from the prior year end and principally relates to the increase of \$398,853 of cash and cash equivalents on hand, which is principally related to cash generated from operation and increases of inventory of \$40,315. Offsetting the net increase of cash and cash equivalents on hand and inventory were decreases of \$265,432 in trade and other receivables, and a decrease in prepaid expenses of \$40,798 that principally relates to the recognition of \$74,059 in IOR/EOR expenses.

Changes within trade and other receivables reflect timing differences in the underlying work or services being performed and the issuance of invoices and collecting of receivables, the logistics of client payable process, and the Company's financial accounting policy of recognizing Powerwave revenues and direct costs equally over the term of the contracts. Trade and other receivables amounted to \$436,974 (as at August 31, 2018 - \$702,406), a decrease of \$265,432, which principally related to collections of receivables.

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Non-current assets included a decrease of \$28,653, of which \$44,701 due to amortization, and offset by purchases of \$12,400, and an increase of \$9,361 in deposits related to a research project.

Liabilities

Total liabilities increased by \$87,870 from the prior year-end to \$1,016,980. Of the changes in liabilities, \$101,013 relates to an increase in unearned revenue, \$115,305 relates to an increase in trade accounts payable, and \$28,243 relates to an increase in employee expenses and entitlements, and offset by a \$156,685 decrease in trade accruals. Changes in unearned revenue pertain to changes in international withholding taxes and payment of IOR/EOR contract amounts ahead of revenue recognition.

Liquidity

The following table presents working capital information as at November 30, 2018 and August 31, 2018:

	As at November 30, 2018	As at August 31, 2018	Change
Current assets	3,757,786	3,624,848	132,938
Current liabilities	(1,016,981)	(929,111)	(87,870)
Working capital ¹	2,740,805	2,695,737	45,068

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

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

Working capital was principally affected by the net increase in cash and cash equivalents (i.e., increasing \$398,853) and trade and other receivables (i.e., decreasing \$265,432), which was offset by the increase in current liabilities of \$87,870 (i.e., unearned revenue increased by \$101,013, and trade accounts payable decreased by \$13,143).

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 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.



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As of January 28, 2019, Wavefront had \$3,013,966 of cash and cash equivalents on hand. Of the cash on hand, Wavefront has \$1,789,753 in high interest savings accounts with annualized interest rate ranging between 1.85% and 1.95%.

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

At November 30, 2018, the Company had yet to achieve profitable operations, had an accumulated deficit of \$74,037,952 (August 31, 2018 - \$73,992,005), and for the first quarter ended November 30, 2018, had a net loss of \$45,947 (November 30, 2017 - \$836,603), but had an increase in cash and cash equivalents of \$398,353 (November 30, 2017 – a net decrease of \$766,673). Whether and when the Company can obtain profitability and positive cash flows from operations for an entire fiscal year is uncertain. The lack of continuing profitable operations may cast significant doubt on the Company's ability to continue as a going concern.

The Company however, currently has a working capital of \$2,740,805 (August 31, 2018 - \$2,695,737), which is 2.33 times greater than the fiscal 2018 cash used in operations of \$1,176,064, which supports Management's belief that Wavefront's financial health is improving and has sufficient resources to fund operations beyond at least the next twelve (12) months.

The Company is presently of the opinion that its working capital position of \$2,740,805 as at November 30, 2018, the past three quarters of positive and growing trend of positive cash flows from operations (i.e. three months ended: November 30, 2018 of \$340,900, August 31, 2018 of \$194,450; three months ended May 31, 2018 was \$63,287), and the cash and cash equivalents on hand as at January 28, 2019 of \$3,013,966 (i.e., an increase over that reported as at November 30, 2018) support the assertion that Wavefront's financial health is continuing to improve and is more than sufficient to cover its current commitments and operations for at least the forthcoming twelve (12) months.

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

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

CONTRACTUAL COMMITMENTS

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

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Payments Due by Period					
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
Operating lease obligations	\$ 566,916	\$ 315,177	\$ 251,739	\$ -	\$ -

Note 1: Included in the contractual commitments are future commitments in base rental lease payments related to the Lloydminster office and warehouse. The Lloydminster office lease has a commencement date of July 1, 2012 and an amended term expiring on June 30, 2019. Given the Disposition (as noted above), excluding the base rental lease payments related to the Lloydminster office and warehouse the total payments due would be \$475,601, with \$223,862 due within one year, \$251,739 due within two to five years.

In a prior year, the Company entered into a new office and warehouse lease for its Edmonton, Alberta operations. The office and warehouse lease had a commencement date of February 1, 2011 and a ten year term expiring on January 31, 2021. The future commitment in base rental payments is \$467,205 over the balance of the term.

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. Effective September 30, 2018, the Consulting Agreement was terminated. During the three months ended November 30, 2018, the Company recorded \$6,541 (November 30, 2017 – \$18,835) in consulting expense, with \$nil (August 31, 2017 - \$nil) included in accounts payable and accrued liabilities. Effective September 30, 2018 the Consulting Agreement was terminated.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

The Company's business risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2018.

ENVIRONMENTAL RISK

The Company's environmental risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2018.

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, 2018, except as noted in the Changes in Accounting Policies as referenced below.

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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 November 30, 2018.

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.



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

	1st Qtr Nov 30 '18	4th Qtr Aug 31 '18	3rd Qtr May 31 '18	2nd Qtr Feb 28 '18
Revenue	\$ 943,753	\$ 956,626	\$ 1,125,103	\$ 856,633
Net Loss	\$ (45,947)	\$ (497,456)	\$ 54,383	\$ (511,095)
Basic and diluted loss per share	\$ (0.001)	\$ (0.006)	\$ 0.001	\$ (0.006)
Common shares outstanding				
Weighted average shares outstanding	87,442,903	83,530,011	82,966,588	82,956,240

	1st Qtr Nov 30 '17	4th Qtr Aug 31 '17	3rd Qtr May 31 '17	2nd Qtr Feb 28 '17
Revenue	\$ 276,667	\$ 527,437	\$ 525,371	\$ 480,215
Net Loss	\$ (836,603)	\$ (989,465)	\$ (922,141)	\$ (930,635)
Basic and diluted loss per share	\$ (0.010)	\$ (0.012)	\$ (0.011)	\$ (0.011)
Common shares outstanding				
Weighted average shares outstanding	82,956,240	82,956,240	82,956,240	82,956,240

DESCRIPTION OF SHARE CAPITAL

As at November 30, 2018, Wavefront's share capital consisted of the following:

Common shares	
Authorized:	unlimited
Issued and outstanding:	
Free trading	87,572,573
Convertible into common shares	
Share purchase warrants	4,496,943
Incentive stock options	3,700,000
	<u>8,196,943</u>
Fully diluted share capital:	<u>95,769,516</u>

As at January 28, 2019, Wavefront's number of issued and outstanding shares is 87,572,573.

Market for Securities

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

Warrants granted during the period

No warrants were granted during the reporting quarter.

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Warrants outstanding

As at November 30, 2018

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share \$
July 17, 2018	July 17, 2019	4,496,943	0.45
		<u>4,496,943</u>	

Options granted during the period

No options were granted during the reporting quarter.

The Company maintains a Stock Option Plan under which it may grant options for up to 10,771,558 shares of the Company at an exercise price not be less than the "Discounted Market Price" (as defined in the policies of the TSX Venture Exchange), provided that the exercise price shall not be less than \$0.05 per share. All stock options awarded are exercisable for a period of up to ten (10) years and vest in equal tranches at three (3) month intervals over a period of eighteen months.

Options outstanding

As at November 30, 2018

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share \$
March 17, 2015	March 17, 2020	800,000	0.12
August 4, 2016	August 4, 2026	1,900,000	0.28
February 21, 2014	February 21, 2019	725,000	0.315
January 6, 2017	January 6, 2027	75,000	0.350
February 22, 2013	February 22, 2018	<u>200,000</u>	0.38
		<u>3,700,000</u>	

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:

- 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,

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- 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 potential cash payments under the terms of the non-binding Memorandum of Understanding with GDMC, potential growth of sales in the Middle East, South and North America, and 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 the potential receipt of payment of certain aged receivables and potential sources of financing.*

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

The forward-looking statements contained herein represent Wavefront's expectations at January 28, 2019, and, accordingly are subject to change after such date. Except as may be required by law, Wavefront does not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time.

ADDITIONAL INFORMATION

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