Unaudited Condensed Consolidated Interim Financial Statements of

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Three months ended November 30, 2014 and 2013

TABLE OF CONTENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed consolidated interim statements of financial position		1
Condensed consolidated interim statements of net loss and comprehensive 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 FINANICAL STATEMENTS

Note 1	Nature of operations and corporate information	5
Note 2	Statement of compliance	5
Note 3	Impairment	6
Note 4	Property, plant and equipment	8
Note 5	Intangible assets	9
Note 6	Share capital	9
Note 7	Loss per share	11
Note 8	Related party transactions	11
Note 9	Segmented information	11
Note 10	Seasonality of operations	12

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Financial Position
As at November 30, 2014 and August 31, 2014
(Canadian dollars)
(Unaudited)

	Note	November 30, 2014	August 31, 2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 7,599,449	$ 8,085,603
Trade and other receivables		1,814,004	2,028,469
Inventories		462,475	495,856
Prepaid expenses and other current assets		704,435	377,574
		10,580,363	10,987,502
NON-CURRENT ASSETS			
Deposits		90,914	89,492
Property, plant and equipment	3, 4	2,891,026	4,696,068
Intangible assets	3, 5	2,982,530	3,507,708
		$ 16,544,833	$ 19,280,770
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade accounts payable and accrued liabilities		$ 891,149	$ 1,051,482
SHAREHOLDERS' EQUITY			
Share capital	6a	66,438,909	66,438,909
Share based payment reserve	6c	8,902,695	8,879,699
Accumulated other comprehensive income		233,836	115,754
Deficit		(59,921,756)	(57,205,074)
		15,653,684	18,229,288
		$ 16,544,833	$ 19,280,770

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 month period ended November 30, 2014 and 2013
(Canadian dollars)
(Unaudited)

	Note	November 30, 2014	November 30, 2013
Revenue		$ 1,493,590	$ 1,646,640
Cost of sales		365,342	508,226
Impairment	3	2,054,590	-
General and administrative		1,124,096	1,193,415
Amortization, depreciation, and depletion		380,118	288,665
Sales and marketing		248,848	409,526
Research and development		53,858	65,104
		4,226,852	2,464,936
OPERATING LOSS		(2,733,262)	(818,296)
OTHER (EXPENSES) INCOME			
Financing costs		(1,452)	(487)
Financing income		18,032	26,379
		16,580	25,892
NET LOSS		(2,716,682)	(792,404)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to net loss			
Translation gain on foreign operations		118,082	9,013
COMPREHENSIVE LOSS		$ (2,598,600)	$ (783,391)
WEIGHTED AVERAGE NUMBER OF SHARES			
Basic and diluted	7	82,956,240	82,956,240
LOSS PER COMMON SHARE			
Basic and diluted	7	$ (0.03)	$ (0.01)

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 month period ended November 30, 2014 and 2013
(Canadian dollars)
(Unaudited)

	Share capital	Share based payment reserve	Accumulated other comprehensive (loss) income	Deficit	Total
Balance at August 31, 2013	$ 66,438,909	$ 8,691,895	$ 76,086	$ (51,994,767)	$ 23,212,123
Net Loss	-	-	-	(792,404)	(792,404)
Translation gain on foreign operations	-	-	9,013	-	9,013
Recognition of shared-based payments	-	71,935	-	-	71,935
Balance at November 30, 2013	66,438,909	8,763,830	85,099	(52,787,171)	22,500,667
Net Loss	-	-	-	(4,417,903)	(4,417,903)
Translation gain on foreign operations	-	-	30,655	-	30,655
Recognition of shared-based payments	-	115,869	-	-	115,869
Balance at August 31, 2014	66,438,909	8,879,699	115,754	(57,205,074)	18,229,288
Net Loss	-	-	-	(2,716,682)	(2,716,682)
Translation gain on foreign operations	-	-	118,082	-	118,082
Recognition of shared-based payments	-	22,996	-	-	22,996
Balance at November 30, 2014	$ 66,438,909	$ 8,902,695	$ 233,836	$ (59,921,756)	$ 15,653,684

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

WAVEFRONT TECHNOLOGY SOLUTIONS INC.
Condensed Consolidated Interim Statements of Cash Flow
Three month period ended November 30, 2014 and 2013
(Canadian dollars)
(Unaudited)

	Note	November 30, 2014	November 30, 2013
OPERATING ACTIVITIES			
Net loss		$ (2,716,682)	$ (792,404)
Items not affecting cash			
Impairment	3	2,054,590	-
Amortization, depreciation and depletion		380,118	409,526
Unrealized foreign exchange gain		54,487	7,032
Share-based payments	6c	22,996	71,935
Interest expense		1,452	487
(Gain) loss on disposal of property, plant and equipment		(5,918)	1,669
		(208,957)	(301,755)
Interest paid		(1,452)	(487)
Net change in non-cash working capital items		(240,769)	(499,600)
Cash used in operating activities		(451,178)	(801,842)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(108,919)	(118,695)
Proceeds on disposal of property, plant and equipment	4	22,358	-
Additions to intangible assets		-	(66,504)
Cash used in investing activities		(86,561)	(185,199)
Foreign exchange gain on cash held in foreign currency		51,585	996
NET DECREASE IN CASH AND CASH EQUIVALENTS		(486,154)	(986,045)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		8,085,603	11,043,731
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 7,599,449	$ 10,057,686

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

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Wavefront Technology Solutions Inc.'s ("Wavefront" or the "Company") business operates in a market where there is increasing demand to bring economically beneficial solutions to exploration and production companies (or "E&P" companies) to maximize oil and gas productivity. Central to Wavefront's broad portfolio of core technologies is the fluid delivery process, Powerwave^{TM} that encompasses the life cycle of a client's post exploration operations. Powerwave is an effective method for: mature field revitalization (enhanced oil recovery or "EOR"), increasing well productivity through well stimulation, and performance drilling.

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

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the fiscal year ended August 31, 2014, except as noted below in Note 2 (a).

These unaudited condensed consolidated interim financial statements were approved for issue on January 28, 2015.

a) Changes in accounting policies

IFRIC 21, *Levies*, (IFRIC 21") provides guidance on when to recognize a liability for a levy imposed by a government, both levies that are accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and those where the timing and amount of the levy is certain. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. A liability is recognized progressively if the obligating event occurs over a period of time or, if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. IFRIC 21 became effective September 1, 2015. The adoption of IFRIC 21 did not have a material affect on the Company's consolidated financial statements.

b) *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:

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")

On May 28, 2014, the International Accounting Standards Board and the Financial Accounting Standards Board jointly issued IFRS 15 *Revenue from Contracts with Customers*. The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

3. IMPAIRMENT

As at November 30, 2014, the Company determined that impairment indicators existed related to the Company's market capitalization being below the carrying value of its net assets, the drop in and volatility in oil prices, and the changes to operating and capital budgets of exploration and production ("E&P") company budgets.

The Company completed the impairment tests and recorded an impairment loss related to the Powerwave, Primawave and Performance Drilling cash generating units ("CGUs") of $2,054,590 on the statement of net loss and comprehensive loss, which is comprised of a $1,655,206 non-cash impairment charge to property, plant and equipment (Note 4) and $399,384 non-cash impairment charge to intangible assets (Note 5) during the three month period ended November 30, 2014. This non-cash charge does not have an impact on the Company's cash flows from operating activities and will not have an impact on the CGUs' future operations. The Company assessed the fair value less cost to sell the assets of the Tubing Pump and Bailers CGU and determined that no impairment was required.

The Company's most significant CGU is the Powerwave CGU, and the recoverable amounts of the CGU assets were determined based on a value in use calculation. There is a significant amount of uncertainty with respect to the estimates of the recoverable amounts of the CGU's assets given the necessity of making key economic assumptions about the future. The value in use calculation uses key assumptions which include cash flows, growth opportunities, and the discount rate. The details of these assumptions used in assessing, the Powerwave CGU, are described as follows:

<u>Cash flows</u>

Cash flows are projected over a five year period and are based on an external strategic plan that was contracted in fiscal 2014, internal forecasts, and risk assessments that take into account the unique operations. Revenue and expenses were projected over a five year period based on the Company's approved forecasts, long range plans and an external consultant's strategic plan for bear market conditions, and then extrapolated based on a discount to historical growth rates. Revenue and expense projections were also based on actual historical averages. The compound annual growth rate for the five year period approximated 44%. The valuation is sensitive to changes in the annual growth rate. A 2% decrease or increase in the annual growth rate would lead to an increase or decrease in the impairment amount over the carrying amount by approximately $712,318.

As tools within the CGU can be refurbished for longer term use, revenues and expenses beyond the five year projections were extrapolated using a growth rate of 0.9% based the Government of Canada Consumer Price Index for November 2014.

<u>Discount rate</u>

A blended discount pre-tax rate of 33% was used to discount cash flows in the valuation model. The valuation is sensitive to changes in the discount rate. A 1% increase in the discount rate would lead to a decrease in the excess of the estimated recoverable amount over the carrying amount and lead to an increase in the impairment of CGU assets by approximately $769,540. A corresponding 1% decrease in the discount rate would increase the excess of the estimated recoverable amount and lead to a decrease in the impairment of CGU assets by approximately $830,327. The discount rate is based on current market information at the date of valuation.

Management believes that the methodology used to impair the CGUs, which involves significant number of judgments and estimates, provides a reasonable basis for determining the impairment. Many factors used in determining the impairment are outside Management's control and involve inherent uncertainty. Therefore, actual results could differ from those estimates.

(Canadian dollars)

4. PROPERTY, PLANT AND EQUIPMENT

As at November 30, 2014	Tools and Equipment	Computer, automotive and office equipment	Leasehold improvements	Total
Cost				
Balance at August 31, 2014	$ 9,244,144	$ 953,205	$ 592,492	$ 10,789,841
Additions	68,771	40,148	-	108,919
Disposals	-	(38,040)	-	(38,040)
Impact of foreign translation	10,279	13,358	-	23,637
Balance at November 30, 2014	9,323,194	968,671	592,492	10,884,357
Accumulated depreciation and impairment loss				
Balance at August 31, 2014	(5,020,853)	(869,847)	(203,073)	(6,093,773)
Depreciation	(219,714)	(16,019)	(15,433)	(251,166)
Disposals	-	21,600	-	21,600
Impairment	(1,655,206)	-	-	(1,655,206)
Impact of foreign translation	(6,487)	(8,299)	-	(14,786)
Balance at November 30, 2014	(6,902,260)	(872,565)	(218,506)	(7,993,331)
Net book value				
Balance at November 30, 2014	$ 2,420,934	$ 96,106	$ 373,986	$ 2,891,026

Depreciation expense for the three months ended November 30, 2014 was $251,166 (November 30, 2013 - $281,096).

As at November 30, 2014 property, plant and equipment includes tools and equipment under construction of $372,235 (August 31, 2014 - $319,639), which are not being depreciated.

(Canadian dollars)

5. INTANGIBLE ASSETS

As at November 30, 2014	Patents	Acquired licenses	Total
Cost			
Balance at August 31, 2014	$ 4,860,765	$ 264,627	$ 5,125,392
Additions	-	-	-
Impact of foreign translation	-	5,690	5,690
Balance at November 30, 2014	4,860,765	270,317	5,131,082
Accumulated amortization and impairment			
Balance at August 31, 2014	(1,547,952)	(69,732)	(1,617,684)
Amortization	(122,574)	(6,378)	(128,952)
Impairment	(359,198)	(40,186)	(399,384)
Impact of foreign translation	-	(2,532)	(2,532)
Balance at November 30, 2014	(2,029,724)	(118,828)	(2,148,552)
Net book value			
Balance at November 30, 2014	$ 2,831,041	$ 151,489	$ 2,982,530

Amortization expense for the three months ended November 30, 2014 was $128,952 (November 30, 2013 - $128,430).

6. SHARE CAPITAL

The Corporation’s issued share capital is as follows:

a) Issued common shares

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

	Number	Stated capital
Balance at August 31, 2014	82,956,240	$ 66,438,909
Balance at November 30, 2014	82,956,240	$ 66,438,909

(Canadian dollars)

b) *Stock-based compensation plan*

The Corporation maintains an Employee, Director, Officer and Consultant Stock Option Plan under which the Corporation may grant incentive stock options for up to 10,771,558 shares of the Corporation at an exercise price equal to or greater than the market price of the Corporation'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 (18) months.

Movements in stock options during the period

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

	Number	Weighted average exercise price
Outstanding at August 31, 2014	2,430,000	$ 0.55
Granted	100,000	0.25
Expired	(245,000)	0.72
Outstanding at November 30, 2014	2,285,000	$ 0.52

Subsequent to the reporting period 100,000 stock options with an exercise price of $0.25 were terminated unexercised.

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, assuming the following assumptions for stock options issued during the period:

Inputs into the model

		November 30, 2014
Share price at date of grant	$	0.15
Exercise price	$	0.25
Risk-free rate (based on 5 year Government of Canada bond)		1.20%
Expected volatility		79.52%
Dividend rate		0%
Expected life		3.63 years
Weighted average fair value of options granted during the year	$	0.07

(Canadian dollars)

During the three months ended November 30, 2014, the Corporation incurred $22,996 (November 30, 2013 - $71,935) in compensation expense relating to outstanding stock options.

c) *Share-based payment reserve*

		As at November 30, 2014		As at November 30, 2013
Balance, begining of period	$	8,879,699	$	8,691,895
Share-based payments		22,996		71,935
Balance, end of period	$	8,902,695	$	8,763,830

7. LOSS PER SHARE

The weighted average number of common shares outstanding for basic and diluted loss per share is 82,956,240 (November 30, 2013 - 82,956,240).

In determining diluted loss per share, the weighted average number of shares outstanding for the year ended November 30, 2014 and 2013 exclude all stock options eligible for exercise as the average market price of the common shares for the periods were less than the exercise price.

8. RELATED PARTY TRANSACTIONS

Expense transaction

The Corporation entered into a Consulting Agreement with a director of the Corporation to provide certain services for a monthly fee of US $5,000 per month. During the three months ended November 30, 2014, the Corporation recorded $16,769 (November 30, 2013 - $15,579) in consulting expense, with $nil (August 31, 2014 - $nil) included in accounts payable and accrued liabilities.

9. SEGMENTED INFORMATION

The Corporation is a technology company and operates with one reportable segment that covers all aspects of the Corporation’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 Corporation is defined as components of the Corporation 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 Corporation is the President and Chief Executive Officer. The Corporation has one group of similar products due to having a similar underlying technology, class of customers and economic characteristics.

10. SEASONALITY OF OPERATIONS

Oilfield services offered by the Corporation are seasonable and related to the product offering and geographical extent to which products were offered for rent or sale. The Corporation's Powerwave stimulation and pump and bailer product offerings, in relation to oilfield services, involve the rental and sale of down-hole equipment. Due to temperature influences on ground conditions and customer budget cycles, the months of December through April have lower activities.

Management believes that the seasonality of operations will have minimal affects moving forward.