

WAVEFRONT

ENVIRONMENTAL STEWARDSHIP THROUGH SMART INNOVATION

Wavefront Technology Solutions Inc.

- Quarterly Report
- For the second
- Quarter ended
- February 28, 2022 & 2021



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 February 28, 2022 and February 28, 2021 and is based on information available to April 27, 2022. 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 ("Wavefront" or "the Company") financial results prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A primarily compares the unaudited financial results for the second quarter ended February 28, 2022 and February 28, 2021. 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 Company's IFRS's financial records (also see the section titled "Controls and Procedures" page 25). 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 quarters ended February 28, 2022 and February 28, 2021 as well as the audited consolidated financial statements for the years ended August 31, 2021 and 2020 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 unaudited 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 unaudited condensed consolidated interim financial statements on April 27, 2022.

NON-IFRS MEASURES

The Company uses IFRS, additional and non-IFRS (or non-generally accepted accounting principles or non-GAAP) measures to make strategic decisions, set targets and use in operating activities, and believes that the additional and non-IFRS measures provide useful supplemental information to investors. "Working capital", "other technology revenues", and "EBITDA" are measures used by the Company that may not have a standard meaning prescribed by IFRS and may not be comparable to similar measures used by other companies.

- 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 a non-IFRS measure with the most comparable IFRS measure being net income (loss);
- Other technology revenue consists of Primawave and Performance Drilling revenues. Other technology revenues are non-IFRS measures with the most comparable IFRS measure being revenues; and,
- Working capital is calculated by subtracting current liabilities from current assets. Working capital is a non-IFRS measure with no comparable IFRS measure.

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



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OVERVIEW OF BUSINESS

Wavefront, an Oil Field Service ("OFS") company, provides leading-edge fluid flow technology marketed under the brand name "Powerwave®". Powerwave is utilized in two primary areas by exploration and production ("E&P") companies - optimized oil and gas well stimulation and Improved/Enhanced Oil recovery ("IOR/EOR"). For well stimulation Powerwave® has proven to decrease chemical cost and job execution time; thus, minimizing total job cost while positively impacting post-stimulation results. Powerwave has also been shown to reduce CO₂ emissions during well stimulations and may be used in CO₂ sequestration projects, potentially assisting E&P companies in achieving carbon-neutral targets. In IOR/EOR applications, Powerwave has been shown to improve oil production rates, decrease oil production decline rates, and increase estimated ultimate oil recovery.

Wavefront operates in the global marketplace dealing directly with E&P companies and through a network of international distributors and agents.

A well stimulation is an operation performed on a well to restore or enhance productivity or improve injection. Well stimulations can be subdivided into two categories: in-well/near wellbore damage removal or deep formation damage removal. Whatever the damage mechanism, the flow characteristics of the oil or gas or water injection well are impeded, directly impacting the economics of an oil and gas field. For in-well/near wellbore damage removal, various stimulation approaches are used to remove scales, such as calcium carbonate or barite, to rid a well of accumulated waxes on tubulars or remove sand fill. Well stimulation to address severe formation damage is accomplished through various techniques, but most commonly, acids are pumped into the rock formation to restore a well's productivity or injectivity. Powerwave-related stimulations employ proprietary tools and methods to optimize acid placement during deep formation damage treatment or effectively remove in-well/near wellbore damage. Depending on the nature of the work, Powerwave® stimulations may take several hours to several days.

With the evolution of environmental, social and governance ("ESG") reporting, it is believed that Powerwave® well stimulations may assist many end-users or E&Ps customers in achieving their environmental targets as Powerwave® has been seen (compared to conventional tools) in reducing average operational time, thereby reducing CO₂ emissions, reducing average chemical consumption while increasing post-stimulation outcomes, and increasing the period between re-stimulation of the same well.

IOR/EOR targets stranded or by-passed oil in a reservoir that is difficult to mobilize and produce due to various physical limitations. An IOR/EOR project involves the injection of a fluid into the reservoir to mobilize by-passed or stranded oil. The fluids injected from a dedicated injection well are meant to "sweep" oil to adjacent producing wells. Physical limitations associated with IOR/EOR applications such as preferential fluid channeling or fluids travelling the least resistance paths often lead to inefficient oil recovery. Based on multiple global field results, Powerwave-aided IOR/EOR programs have improved oil recovery, slowed the rate of oil production decline, and stabilized water injection. IOR/EOR projects are usually 12 months or longer in duration.

Key components of Wavefront's business model are geographic diversification while focusing on the higher-margin / higher rate of capital employed by leveraging the Company's Powerwave® technology. This means the Company will work on projects with E&Ps and leverage other OFS client relations in different geographic regions to increase distribution channels and technology commercialization. In working through other OFS providers as distributors, Wavefront does not need to build and maintain a local presence with field technicians, equipment, or infrastructure in the various geographic markets it serves.



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Wavefront thus, works through distribution, agency, or representation ("Distributor") agreements that encompass representation in 16 countries (but are active in this reporting period in 7 countries) and permits Distributors to market and resell the Company's Powerwave® suite of technologies to end-users or E&Ps. The agreements provide that the Distributor is generally responsible for contracting directly with and fulfilling the provision of goods or services to the end-user, i.e., E&Ps, or their customers. Thus, the Distributor is responsible for the execution and costs of work performance with their customers, including their customers' satisfaction for its general and administrative, sales, and marketing expenses. Wavefront is also not exposed to the credit risk decisions of the Distributor; thus, the Distributor bears all risks and rewards in dealing with its customers. Like any other customer, Wavefront does have credit risk in collections from its Distributors.

Distribution agreements do not generally provide established pricing to end-users or E&Ps in each country. Instead, they offer a pre-negotiated amount that Wavefront can expect to receive for each bundled Powerwave job or service the Distributor provides to the end-user or E&P. The Distributors are entitled to deduct any fees or foreign tax withholdings from any amounts paid to Wavefront. The Company thus recognizes the net amounts received in its revenue recognition. Wavefront is responsible for supplying Powerwave® tools to the Distributor; Powerwave® tool replacement, if needed; certain proprietary inventory items required to rebuild or refurbish Powerwave tools or consumables; and, if needed, all Powerwave® modelling, and the provision of remote technical support.

Wavefront also sells directly to end-users or E&Ps, and other non-distributors, in which case the Company is responsible for fulfilling the provision of goods or services to the end-users, or E&Ps. In dealing with end-users or E&Ps or non-distributors, Wavefront negotiates an amount that it can expect to receive for each bundled Powerwave® job or service.

Wavefront has typically, regardless of dealing with an end-user or E&P directly as a customer or dealing with its Distributors, and despite the type of application or product line (e.g., a Powerwave® stimulation or IOR/EOR project), bundled its services, jobs, or projects, which may include some or all of the modelling and programming; tool mobilization and installation; tool rental (or sale); Powerwave licensing; and demobilization. As all Powerwave® components are highly integrated, interrelated, and interdependent and are transferred concurrently to the customer (i.e., regardless if an E&P or non-distributor or a Distributor), the customer only receives economic benefits from the Powerwave service over the licensed and rental periods (i.e., be it a shorter period for Powerwave® stimulation or a longer period for an IOR/EOR project).

As a technology company, Wavefront must support the marketing efforts of its Distributors. The ideal marketing approach for Powerwave® would be for Wavefront personnel or its Distributors' business development team to approach a single or group of engineers who could readily accept the merits of the technology and implement it accordingly. However, the ease of such a marketing approach is not a reality. For most E&Ps, multiple groups must have various criteria satisfied before approving a field trial and ongoing work. For example, the production engineering team may wish to implement Powerwave® for stimulation work; however, the reservoir engineering team may be unconvinced of the utility of the technology; hence the stimulation may not proceed. Alternatively, a research and technology team charged with bringing new technology to an E&P may identify Powerwave® as a unique opportunity for the E&P to exploit or improve oil and gas well stimulation efforts or even a derivative of Powerwave® for enhancing oil recovery by water or CO₂ flooding. Even though the research and technology team may have identified Powerwave as a possible gamechanger for the E&P, the reservoir and production engineering teams must also be convinced. As such, marketing Powerwave® to end-users is a multi-pronged approach that may impact the sales cycle.



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For water or CO₂ flooding projects, the Company has seen sales cycles from introduction to purchase order and implementation of up to 12 months. For Powerwave[®] well stimulations, sales cycles may range from several days to several months.

Wavefront's patent portfolio encompasses i) a utility patent(s) related to the general process of dynamic fluid injection (i.e., the Powerwave[®] process) where there is communication with the wellbore and geological structure; and, ii) design patents covering specific tool designs that provide for dynamic fluid injection. Wavefront's patents were registered in various jurisdictions where the Company anticipated future work and have various expiry dates. As a result, the Company generates revenues in some countries where it does not have registered patents but is protected by its licenses, non-compete and non-circumvent agreements, and other intellectual properties (such as the proprietary Powerwave[®] model), etc.

In addition to the patent portfolio, the Company's intellectual properties include "know-how" or trade secrets required to install and properly operate Powerwave[®] tools. A proprietary model details predictive outcomes and operating protocols for Powerwave[®] well stimulations related to specific reservoir conditions. In certain geographic regions, the proprietary model may be more integral to the Company's current business than its patents. As Distributors essentially re-sell to their customers, Wavefront provides training of Distributor personnel in the use of Powerwave[®] tools. However, all Powerwave[®] modelling and job programming are tightly controlled and performed only by certain Wavefront personnel at the Company's head office in Edmonton, AB.

Wavefront endeavours to continuously develop new technologies and seek new patents, and as such, the Company's intellectual property portfolio will continue to evolve.

OUTLOOK

Energy markets have been on perhaps the biggest rollercoaster ride over the past two years, experiencing both negative and record high commodity prices. While current oil prices provide some optimism for increased activities in the oil industry, COVID-19, supply chain issues, and client capital allocation decision delays continue to present uncertainty surrounding the timing of full-scale work schedules. Such unpredictable delays have and may continue to impact Wavefront adversely. The Company remains guarded about its growth prospects in the near term. Until the uncertainty is removed from client operations, Wavefront may experience a continued period of revenue contraction.

Wavefront has seen new opportunities arise, evidenced by multiple well stimulation packages being awarded by new and existing US-based clients; however, for various reasons, these new well stimulation packages have yet to commence fully, thus, negatively impacting revenue. As noted in previous Company disclosures, supply chain issues related to equipment shortages, inflation in tubular goods, and shortages of crucial equipment and consumable materials are impacting oil production and, thus, Wavefront's near-term business opportunities. It remains unknown at which point the price per barrel of oil can prompt producers to embark on a surge in output.

Amid the supply chain issues, global production is further constrained by labour shortages. The labour shortage started to become obvious in the middle of calendar 2021, as the industry workforce looked for signals of stability after years of low activity. "Even if there was a signal from customers that they were going to put more money into the ground to take advantage of high [commodity] prices, there's no guarantee that [OFS] would even be able to supply the market

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with available rigs, based on the labour situation," Mark Scholz, president and chief executive officer of the Canadian Association of Energy Contractors (CAOEC), said.¹

Additionally, it has been reported that the oil and gas industry is under pressure by capital providers, stakeholders and elected officials to mitigate greenhouse gas emissions and to show compliance to global ESG climate reporting and change goals.² As a result of restricted access to and covenants related to capital, many E&P companies have been seen to prioritize capital discipline over the historical objective of reserve accumulation and growth (i.e., value over volume). The perfect storm of COVID-19, supply chain issues, and reduced access to capital has resulted in the overall reduction in industry activity with many E&Ps reducing operating and capital budgets. E&Ps have been refraining from ramping up production; instead, opting to return cash to shareholders through dividends, debt repayment and share buybacks. Several analysts have recently reported that big oil is expected to conclude US \$38 billion in share buybacks this year, and possibly more. With WTI at over \$117 per barrel and Brent at \$111, Bloomberg reports that a minimum of 21 major North American E&Ps were engaged in stock buybacks.³

Moreover, the geopolitical situation in Eastern Europe intensified with Russia's invasion of Ukraine on February 24, 2022. The Russian war in Ukraine continues to evolve as military action proceeds and Western sanctions are imposed, exacerbating the ongoing global economic challenges, including sanctions against the importation of Russian crude oil, gas and liquefied natural gas ("LNG"); foreign exchange implications; rising inflation; and additional supply chain issues.

Sanctions on Russia and other actions that contributed to falling oil production in Russia are creating significant market uncertainties about the potential for further oil supply disruptions. These events occurred against a backdrop of low oil inventories, upward oil price pressures, and the release of oil from the various strategic petroleum reserves ("SPR"). Recently US President Biden announced the release of 180 million bbl from the SPR, the largest in history – aimed at cushioning the loss of Russian oil sidelined since the invasion began. "The SPR release is like putting duct tape on a leaking ship — it will hold for a bit but will not [be sustainable as it does not come close to replacing a majority of the loss of Russian commodities]," said Manish Raj, chief financial officer at Velandera Energy Partners.⁴

At a recent OPEC+ meeting in the midst of the opportunity to cushion the impact of Russian commodity supply, the meeting concluded to not materially change production plans, with the group agreeing to only lift production by another 432,000 barrels per day starting in May 2022.⁵ As a result, the Company has seen Middle East E&P proposed well stimulation budgets for the calendar year 2022 lower than in recent years as more investment is being directed to drilling activities. In a particular case, the well stimulation budget for calendar 2022 is approaching the 2016 budget levels. The focus on drilling over well stimulation may result in the Company re-evaluating its marketing approach and presence in several Middle East locations.

The elevated geopolitical risk, persistent supply-chain issues, continued labour shortages, shrinking capital availability, and rising inflation have impacted the ability of upstream producers to undertake projects that they would otherwise be readily engaged in at current commodity price levels.⁶

¹ BNN Bloomberg, Amid Global Energy Crisis, Labour Shortage Constrains Growth of Canada Oilpatch, Amanda Stephenson, March 11, 2022

² Hart Energy, ESG & The Independent E&P, Darren Barbee, Oil and Gas Investor, June 2021

³ OilPrice.com, Big Oil is Planning \$38 Billion in Buybacks This Year, Charles Kennedy, March 10, 2022

⁴ MarketWatch, What Biden's historic decision to release oil reserves means for the market, Myra P. Saefong, March 31, 2022

⁵ OilPrice.com, OPEC+ Agrees To Ease Cuts By 432,000 Bpd In May, Julianne Geiger, March 31, 2022

⁶ OilPrice.com Shale Growth Constrained By Supply Chain Bottlenecks, Tsvetana Paraskova, March 29, 2022

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Although calendar 2021 was a period where energy demand recovery commenced, S&P Global Platts Analytics has noted that the near term may be a period where the industry may focus on whether supply can catch up, which may be highlighted by increases in LNG exports, a rebound in US shale oil, gas and NGLs and the return of investment in non-OPEC production.⁷

With the broadening move towards decarbonization associated with human-induced effects on climate change, E&Ps and OFS companies must adapt and move outside of traditional oilfield services to sectors in the low-carbon space, as evidenced by Occidental Petroleum entering into an agreement for net-zero oil created from captured atmospheric CO₂ and a CO₂ sequestration project in Louisiana.⁸

Given the energy sectors' ESG and CO₂ management needs, Wavefront has identified two areas in the low-carbon space where its existing proprietary technologies may play a pivotal role. The first area is CO₂ sequestration, while the second area is geothermal operations.

CO₂ sequestration in geological media is a well-researched and practiced approach. Depending on in-ground temperature and pressure and other characteristics, CO₂ may be stored through several mechanisms in geological media as a gas, a liquid, or in a supercritical state by trapping in porous media such as depleted hydrocarbon reservoirs; oil reservoirs (EOR); or deep brine aquifers and regional-scale aquifers. The physics of fluid flow in porous media is universal – whether it occurs ten feet deep during environmental groundwater remediation, at eight thousand feet deep during CO₂-driven EOR or twelve thousand feet during salt cavern solution mining. Wavefront's Powerwave[®] has been broadly used globally in environmental, mining, and oil and gas applications. In Michigan, Mississippi, and Texas, Powerwave[®] was successfully applied to optimize CO₂-driven EOR projects to improve both CO₂ injection rates as well as CO₂ distribution in the subsurface. Given Wavefront's broad-based experience in multiple sectors, we are confident that Powerwave[®] may be successfully applied to large-scale CO₂ sequestration projects to increase CO₂ injection/sequestration rates, thus, keeping anthropogenic carbon from reaching the atmosphere.

Wavefront's proprietary technology bundle includes fluid-driven tools for removing detritus materials often occurring in oil and gas production or injection wells. Such devices have been successfully used in traditional oil and gas operations. While geothermal wells have temperatures up to 325°C (617°F), several scale types are prevalent and often found in oil and gas wells. The Company's proprietary tools are currently designed to withstand such elevated temperatures; therefore, they can be immediately used under such conditions. Wavefront and its global OFS distributor are currently evaluating opportunities to deploy Wavefront tools in European and North American geothermal operations. Given Wavefront's successful track record in wellbore cleaning, the Company is very confident of success in this potential new market.

Given the various industry implications and logistics and equipment availability, it has become a snowballing event, and "catching up" in the immediate term is unlikely to be achievable for the clients. For one client, the Company is scheduled to commence work on wells that, according to previous schedules, would have been stimulated about sixteen months ago. This is one example of how far behind US-based clients are on their stimulation schedules and how such delays have impacted the Company's revenue generation potential since fiscal 2021.

Wavefront will continue to exercise disciplined operating costs and capital expenditure controls. Wavefront remains committed to strong project execution best-in-class service. As client operating activities unfold, it will endeavour to generate solid gross profit margins across all market segments.

⁷ [S&P Global Platts Analytics Releases its 2022 Energy Outlook - Dec 13, 2021 \(spglobal.com\)](https://www.spglobal.com/platts/news/2021/12/13/s&p-global-platts-analytcs-releases-its-2022-energy-outlook), December 13, 2021, press release

⁸ www.oxy.com/news, March 22 and 28, 2022 press releases



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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 (i.e., the nature of the products and services and any bundling or cross use thereof, types of customers, operating segments 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 as it believes this additional supplemental information is useful to stakeholders concerning the development of the business.

Since March 2020, the State of Kuwait ("Kuwait"), was subject to various government-mandated COVID-19 restrictions. While Kuwait has cautiously progressed towards re-opening business operations, the offices of the sole client in the country, the National Oil Company ("NOC"), remain partially closed. Furthermore, the restrictions curtailed all but essential oil field work, which set back Powerwave uptake and deferred the Company's anticipated WaveAxe[®] field trials. The Company and Gulf Drilling and Maintenance Company ("GDMC") remain in discussion with the NOC regarding the timing for WaveAxe[®] field trials.

Since entering into a new Exclusivity Agreement with GDMC for exclusive rights to Wavefront's Powerwave related intellectual property, know-how and tools for the State of Kuwait, including the Al Khafji Joint Operations region (a common territory along the borders of the Kingdom of Saudi Arabia and the State of Kuwait), work has ebbed and flowed with COVID-19 restrictions and indirect commodity demands. The anticipated increase in activities levels in Kuwait is not expected until the fourth calendar quarter of 2022.

Like Kuwait, the Kingdom of Saudi Arabia ("Saudi Arabia") was not immune to aggressive COVID-19 restrictions that impacted Wavefront's marketing efforts and the growth of Powerwave-related technology. Also compounding market growth is the well stimulation budgets for the calendar year 2022 being lower than in recent years as more investment is being directed to drilling activities. Wavefront's local distributors are focusing current marketing efforts on the drilling and completions department of the NOC as, in many cases, there are post-drilling stimulation activities that are suited to the benefits of Powerwave, including the use of Wavefront devices to extend coiled tubing reach in extended reach wells while simultaneously stimulating the wellbore.

During the second fiscal quarter, the Company, through a local Distributor, commenced initial well stimulation work with the NOC of the United Arab Emirates ("UAE"). Various NOC entities in the UAE operate in three distinct areas – onshore, islands, and offshore. The Distributors' initial Powerwave stimulation work has been completed in onshore extended reach horizontal wells. The Company and its various Distributors in the UAE are working to secure further work in all three functional areas of the NOC. We anticipate further uptake of Powerwave-related technology as the fiscal year progresses.



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Revenues for the six-month period ended February 28, 2022 totalled \$963,383, an increase of \$144,505 from that recorded for the comparative period ended February 28, 2021 of \$818,878. Of the revenues for the reporting period, \$921,923 relates to Powerwave stimulations, with \$787,418 of those revenues being derived from the Middle East, with 92.3% of total revenues generated from Distributors. Costs of sale remained relatively constant at 5.9% (2020 – 4.1%). The Company's general and administrative, sales and marketing, amortization and depreciation, and research and development expenses increased by \$270,954 principally due to increased distributor and consulting, and sales and marketing expenses in the Middle East.

For the second quarter 2022 (i.e., three months ended February 28, 2022) recorded revenues amounted to \$535,752 an increase of \$162,634 from the comparative quarter (i.e., three months ended February 28, 2021) revenues of \$373,118. Of the revenues for the reporting quarter, \$521,435 (February 28, 2021 - \$374,863) relates to Powerwave stimulations, with \$481,866 of those revenues being derived from the Middle East, an increase of 50% or \$160,921 over the comparative quarter revenues of \$320,945. Although the rise in Powerwave revenues in the Middle East revenues was below expectations, the increase and where revenues were generated may indicate a more positive near-term outlook in those revenues of:

- \$124,298 of revenues generated in the Kingdom of Saudi Arabia were from three different oil field service companies, including revenues from a multi-national oil field Distributor (as announced September 1, 2021);
- \$39,144 was generated in the United Arab Emirates ("UAE"); and,
- \$30,499 was generated in Iraq.

Despite the progress towards a positive return to commercial activity in the Middle East in the reporting quarter, limited oil field access and restricted marketing abilities related to the ongoing COVID-19 pandemic, and the change of Distributors in Saudi Arabia still impacted revenues. Similarly, in the State of Kuwait, the volume of Powerwave stimulations performed declined from the first quarter due to limited oil field access and marketing abilities related to the ongoing COVID-19 pandemic; however, the Company continued to recognize the minimum guaranteed (i.e., US \$150,000 or translated CDN \$287,925) revenues under agreement with the Company's Kuwait Distributor.

In fiscal 2020, the Company's Distributor in Colombia completed four Powerwave Odyssey and four Powerwave SAN stimulations. Five Powerwave Odyssey stimulations remain to be completed from the initial ten well contracted programs granted to Wavefront's Distributor. The remaining Powerwave work and the installation of a dual Powerwave Dragonfly IOR/EOR system have been delayed due to COVID-19 with project completion remaining unclear.

Revenues for the second quarter 2022 in the USA were also not as expected as many Powerwave stimulation projects were delayed given limited oil field access and E&P supply chain issues related to COVID-19, E&P capital and operating expenditure decisions, Texas weather anomalies, and E&P health and safety issues. Further, the potential in US \$500,000 revenues related to the General Services Agreement ("GSA"), which was announced on October 13, 2021, still cannot be recognized, at this time, due to circumstances beyond the Company's control. It is the intent of the Company, at this time, to continue, in good faith, to work with executive management of the E&P client to which the GSA was executed. Once the Company can recognize revenues, in accordance with IFRS, the Company will accordingly disclose any such recognition.



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Consolidated Results – six-months ended February 28, 2022 and 2021

Revenues

Revenues for the six-month period ended February 28, 2022 totalled \$963,383, an increase of \$144,505 from the comparative period revenues of \$818,878. Revenues related to Powerwave stimulations for the period ended February 28, 2022 totalled \$921,923 (2021 - \$760,161). Powerwave stimulation revenues for the reporting quarter from the Middle East totalled \$787,418 (2021 - \$704,338). North American stimulation revenues totalled \$73,829 (2021 - \$46,312) and remained behind historical norms, in part due to the unrecognized revenues related to the GSA noted above, while Powerwave stimulation in other international regions totalled \$60,675 (2021 - \$9,511).

Revenues for the six months ended February 28, 2022, related to Other Technology revenues totalled \$41,460 (2021 - \$58,717).

Geographically, \$105,541 (2021 – \$95,309) in revenue was generated in North America, \$788,907 (2021 - \$704,338) in the Middle East, and \$68,935 (2021 - \$19,231) in other international geographic regions. The geographic revenues are more specifically described as follows:

North America: Revenues in North America increased by \$10,232 to \$105,541 compared to \$95,309 in the comparative quarter. Powerwave stimulation revenues in North America totalled \$73,829 (2021 - \$46,312) but have yet to return to historical norms in part due to the unrecognized revenues related to the GSA noted above; and, Other Technology revenues totalled \$31,711 (2021 - \$48,997).

Middle East: Revenues in the Middle East totalled \$788,907 (2021 - \$704,338), of which \$787,418 (2021 - \$704,338) is related to Powerwave stimulation revenues; and, Other Technology revenues totalled \$1,489 (2021 - \$nil).

Other International: Revenues outside of North America and the Middle East totalled \$68,935 (2021 - \$19,231). Powerwave stimulation revenues in other international markets totalled \$60,675 (2021 - \$9,511); and, Other Technology revenues totalled \$8,260 (2021 - \$9,720).

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 and Other Technology product lines.

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

Costs of sales for the six month period ended February 28, 2022 totalled \$56,635 or 5.9% of revenues (February 28, 2021 - \$33,907 or 4.1% of revenues), which is principally impacted by a greater proportion of revenues being derived through Distributors, and more-over, the majority of revenues being recognized by agreements providing minimum numbers of Powerwave stimulation jobs or guaranteed revenues, and thus, there were little direct costs (i.e., minimal well modelling, field labour, direct labour and inventory for Powerwave tool refurbishing).

Costs of sales associated with all Powerwave stimulations totalled \$55,171 (2021 - \$31,518).



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Expenses

General and administrative, sales and marketing, research and development, and amortization and depreciation expenses for the six months ended February 28, 2022, increased by \$270,954 to \$1,909,743, compared to \$1,638,789 for the six month period ended February 28, 2021. The changes within these expenses were principally a result of the following:

- i) General and administrative expenses increased by \$217,290 (February 28, 2022 - \$1,421,462; February 28, 2021 - \$1,204,172). The change in general and administrative expenses were as follows with the noted variances:

	Six months ended		
	<u>February 28, 2022</u>	<u>February 28, 2021</u>	<u>Variance</u>
Wages, benefits, and contract employees	\$ 471,469	\$ 532,132	\$ (60,663)
Consultants	295,089	55,984	239,105
Office	177,278	177,706	(428)
Professional fees	144,918	136,721	8,197
Share-based payments	131,019	-	131,019
Public company & listing fees	100,783	102,276	(1,493)
Vehicle	58,572	110,147	(51,575)
Repairs and maintenance	40,155	27,732	12,423
Bad Debts	1,426	59,284	(57,858)
Miscellaneous	752	2,190	(1,438)
	\$ 1,421,462	\$ 1,204,172	\$ 217,290

In part the increases to the Company's general and administrative expenses relates to Distributor expenses (i.e., consulting fees, and repairs and maintenance expenses) that totalled US \$257,795 (approximate CDN \$326,803), which was incurred in support of the Company's operations in the Kingdom of Saudi Arabia.

The increase in share-based payments relates to the issuance of 1,000,000 incentive stock options on March 1, 2021, and the issuance of 1,800,000 incentive options on September 27, 2021. The unamortized balance of expense related to the option issuance is \$112,026, which will be expensed in future periods.

The decrease in bad debt relates to the full impairment of one invoice in the comparative period pertaining to a prior period's demobilization of an IOR/EOR project. The decrease in vehicle expense relates to decreased field activity.

- ii) Amortization and depreciation expense decreased by \$50,660 to \$102,868 from the comparative period. The current period depreciation and amortization expense were impacted by entering a five-year lease effective February 2021, and thus, the amortization expense is now over a longer period.
- iii) Research and development expense decreased by \$24,332 to \$32,909. Comparative period research and development expense relates to labour of the Company's physicist and reservoir engineer that support our Powerwave product line and the development of a prototype high flow rate Powerwave Odyssey tool for multilateral horizontal wells. The high flow rate Powerwave Odyssey tool is hoped to allow the Company's distributors to enter a sector of wells not currently open to stimulation via the current Powerwave Odyssey tool.

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The changes in research and development expenses relate to a decrease in material and external engineering consulting of \$13,000, and a decrease of functional allocation of fully built-up wages of \$20,945, which was offset by an increase in the functional allocation of share-based payment compensation of \$9,537.

Depending on COVID-19 impacts and travel restrictions, the Company now anticipates marketing the new high flow rate Powerwave Odyssey tool in the middle to late calendar 2022.

- iv) Sales and marketing expenses increased by \$128,656 to \$352,504. The increase in sales and marketing expenses principally relates to efforts related to the Middle East. There was an increase of \$40,041 in travel-related expenses, an increase of \$12,665 in tradeshow and advertising expenses, and an increase of \$3,712 in meals and entertainment expenses.

During part of the prior reporting quarter sales personnel in Canada were temporarily laid off. However, this decrease in Canadian wage allocation was offset with the hiring of personnel in the Permian basin in Texas in the latter part of the reporting period to help diversify the Company's customer base and return USA Powerwave revenues to pre-COVID-19 historical norms. In addition, there was an increase in the functional allocation share-based compensation by \$156,546.

The continued COVID-19 social distancing and travel restrictions will continue to impact marketing budgets in the near term.

Net Finance Section of Income

Financing costs of \$12,222 (2021 - \$4,694) include interest expense, for both reporting periods relates to interest on insurance financing contracts, and interest expense of \$11,776 relates to lease liability (i.e., IFRS 16). As the prior lease came to an end on January 31, 2021, the lease interest expense was minimal in the current period. The Company expects future periods to have higher interest costs related to the new lease.

In response to the World Health Organization's declared coronavirus ("COVID-19") pandemic, governments have established various programs to assist companies through this period of uncertainty, like the implementation of the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs. The Company recorded non-refundable contributions under the CEWS and CERS programs in the comparable periods for six months ended February 28, 2022 of \$15,269 (2021 - \$89,918), with \$nil included in accounts receivable (August 31, 2020 - \$31,944).

Financing income of \$1,452 (2021 - \$13,594) includes interest earned for the reporting quarters. Interest earned relates to the investment of funds principally from the private placement that was closed and announced on July 17, 2018, and cash inflows since that private placement.

Foreign exchange loss of \$5,314 (2021 - \$8,358) is a result of the translated difference between spot rates and the average rate for the period of items in the Company's Canadian entity.

Operating Cash Flows

The following table sets out the cash used in operations for the six months ended February 28, 2022 and 2021:



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

	Six months ended	
	February 28, 2022	February 28, 2021
Net Loss	\$ (1,003,810)	\$ (763,358)
Changes to net loss not involving cash		
Share-based payments	170,617	-
Amortization and depreciation	102,868	153,528
Impairment	1,546	-
Impact of foreign translation	(2,312)	1,625
Interest expense	(12,222)	(4,694)
Changes to working capital		
Change in trade and other receivables	(249,561)	254,696
Change in inventories	(81,848)	19,609
Change in prepaid expenses	(73,686)	(52,578)
Change in unearned revenue	(19,631)	13,804
Interest paid	12,222	4,694
Change in trade and other payables	447,411	(13,797)
Cash used in operating activities	\$ (708,406)	\$ (386,471)

Cash used in operating activities was negatively impacted by the net changes in non-cash working capital items (see Liquidity section on page 17, below), increases of \$345,946 in general and administrative and sales and marketing expenses, and the decrease of \$74,649 in government grants.

Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for the six months ended February 28, 2022 increased by \$240,452 to \$1,003,810 (or basic and diluted net loss of \$0.011 per share), compared to the net loss of \$763,358 (or basic and diluted net loss of \$0.009 per share) for the comparative period ended February 28, 2021.

The comprehensive loss for the six months ended February 28, 2022 of \$1,003,044 and was impacted by a foreign translation gain of \$766 on its foreign, wholly owned, subsidiary in the United States versus the reported comprehensive loss of \$764,822 reported in the comparative reporting quarter ended February 28, 2021.

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

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



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

	Six months ended	
	February 28, 2022	February 28, 2021
Net loss	\$ (1,003,810)	\$ (763,358)
Items not affecting cash		
Amortization and depreciation	102,868	153,528
Interest and tax expense	12,825	5,731
EBITDA	\$ (888,117)	\$ (604,099)
EBITDA loss per share	\$ (0.010)	\$ (0.007)

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

CONSOLIDATED RESULTS – THREE MONTHS ENDED FEBRUARY 28, 2022 AND 2021

Revenues

For the second quarter ended February 28, 2022 gross revenues totalled \$535,752, increasing \$162,634 over the comparative quarter ended February 28, 2021 that recognized revenues of \$373,118. Revenues related to Powerwave stimulations for the second quarter 2022 totalled \$521,435 compared to \$347,863 in the comparative quarter. Powerwave stimulation revenues for the reporting quarter for the Middle East totalled \$481,866 (2021 - \$320,945). North American stimulation revenues totalled \$39,570 (2021 - \$23,217) and remained behind historical norms in part due to the unrecognized revenues related to the GSA noted above, while Powerwave stimulation in other international regions totalled \$nil (2021 - \$3,701).

Other Technology revenues totalled \$14,317 (2021 - \$25,255).

Geographically, \$53,886 (2021 – \$42,182) in revenue was generated in North America, \$481,866 (2021 - \$320,945) in the Middle East, and \$nil (2021 - \$9,991) in other international geographic regions. The geographic revenues are more specifically described as follows:

North America: Revenues in North America increased by \$11,704 to \$53,886 compared to \$42,182 in the comparative quarter. Powerwave stimulation revenues in North America totalled \$39,570 (2021 - \$23,217) and remain behind historical norms in part due to the unrecognized revenues related to the GSA noted above; and, Other Technology revenues totalled \$14,317 (2021 - \$18,965).

Middle East: Revenues in the Middle East increased by \$160,921 or by 50% to \$481,866 (2021 - \$320,945), all of which is related to Powerwave stimulation revenues in both the current and comparative reporting quarters.

Other International: Revenues outside of North America and the Middle East totalled \$nil (2021 - \$9,991). Powerwave stimulation revenues in other international markets totalled \$3,701; and, Other Technology revenues totalled \$6,290 in the comparative quarter.



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Costs of Sales

Costs of sales associated with all Powerwave stimulations totalled \$33,816 (2021 - \$13,075).

Expenses

General and administrative, sales and marketing, research and development, and amortization and depreciation expenses for the second quarter ended February 28, 2022, increased by \$115,969 to \$920,266, compared to \$804,297 for February 28, 2021. The change in these expenses was principally a result of the following:

- i) General and administrative expenses increased by \$96,177 (February 28, 2022 - \$698,406; February 28, 2021 - \$602,229) with the following noted variances:

	Three months ended		
	February 28, 2022	February 28, 2021	Variance
Wages, benefits, and contract employees	\$ 252,283	\$ 264,053	\$ (11,770)
Office	96,416	75,049	21,367
Professional fees	41,118	52,621	(11,503)
Public company & listing fees	57,531	53,237	4,294
Consultants	163,224	28,999	134,225
Repairs and maintenance	18,937	12,287	6,650
Vehicle	32,899	55,557	(22,658)
Bad debts	(29,286)	-	(29,286)
Miscellaneous	682	59,295	(58,613)
Share based payments	64,602	1,131	63,471
	<u>\$ 698,406</u>	<u>\$ 602,229</u>	<u>\$ 96,177</u>

In part the increases to the Company's general and administrative expenses relates to Distributor expenses (i.e., consulting fees, and repairs and maintenance expenses) that totalled US \$142,590 (approximate CDN \$181,075), which was incurred in support of the Company's operations in the Kingdom of Saudi Arabia.

- ii) Amortization and depreciation expense decreased by \$24,644 to \$50,595 from the comparative period.
- v) Research and development expense remained flat, decreasing \$503 to \$17,734. The changes in research and development expenses relate to a decrease in material and external engineering consulting of \$2,884, and a decrease of \$2,447 in the functional allocation of fully built-up wages, which was offset by an increase in functional share-based payment compensation of \$4,827.
- vi) Sales and marketing expenses increased by \$44,939 to \$153,531. The increase in sales and marketing expense principally relates to efforts in the Middle East. There was an increase of \$27,526 in travel related expenses, an increase of \$13,077 in tradeshow and advertising expenses, with a decrease of \$210 in meals and entertainment expenses.



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The current reporting quarter includes additional personnel in the Permian basin in Texas to help diversify the Company's customer base and return USA Powerwave revenues to pre-COVID-19 historical norms. The reporting quarter has provided for an increase of the functional allocation of wage expense of \$28,083, and an increase in the functional allocation of share-based compensation by \$15,243.

Net Finance Section of Income

Financing costs of \$5,740 (2021 - \$3,236) includes interest expense, for both reporting quarters that relates to interest on insurance financing contracts, and interest expense related to the lease liability.

As a result of accessing the CEWS and CERS programs, the Company recognized non-refundable government grants of \$40,275 in the comparable quarter only.

Financing income of \$723 (2021 - \$3,700) includes interest earned for the reporting quarter. Interest earned relates to the investment of funds principally from the private placement that was closed and announced on July 17, 2018, and cash inflows since that private placement.

Foreign exchange loss of \$6,351 (2021 – loss of \$9,934) is a result of the translated difference between spot rates and the average rate for the quarter of items in the Company's Canadian entity.

Operating Cash Flows

The following table sets out the cash used in operations for the second quarter ended February 28, 2022 and 2021:

	Three months ended	
	February 28, 2022	February 28, 2021
Net Loss	\$ (430,524)	\$ (415,839)
Changes to net loss not involving cash		
Share-based payments	83,611	-
Amortization and depreciation	50,595	75,239
Impact of foreign translation	(1,857)	689
Interest expense	(5,740)	(3,236)
Changes to working capital		
Change in trade and other receivables	(163,087)	130,232
Change in inventories	(82,024)	5,279
Change in unearned revenue	1,750	(13,780)
Change in prepaid expenses	5,075	38,824
Interest paid	5,740	3,236
Change in trade and other payables	221,753	(116,261)
Cash used in operating activities	\$ (314,708)	\$ (295,617)

Cash used in operating activities was negatively impacted by the net changes in non-cash working capital items (see Liquidity section on page 17, below).



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

Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for the second quarter 2022, i.e., the three months ended February 28, 2022 was \$430,424 (or \$0.005 basic and diluted loss per share), compared to the net loss of \$415,839 (or basic and diluted net loss of \$0.005 per share) for the comparative period ended February 28, 2021.

The comprehensive loss for the second quarter ended February 28, 2022 was \$431,700 and was impacted by a foreign translation loss of \$1,176 on its foreign, wholly owned, subsidiary in the United States versus the reported comprehensive loss of \$416,999 reported in the comparative reporting quarter ended February 28, 2021.

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

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

	Three months ended	
	February 28, 2022	February 28, 2021
Net Loss	\$ (430,524)	\$ (415,839)
Items not affecting cash		
Amortization and depreciation	50,595	75,239
Interest and tax expense	6,343	4,273
EBITDA (loss)	\$ (373,586)	\$ (336,327)
EBITDA (loss) per share	\$ (0.004)	\$ (0.004)

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

LIQUIDITY AND CAPITAL RESOURCES

Assets

Total assets increased by \$231,784 from the prior year end to \$2,652,274. The changes principally relate to the increases in trade and other receivables by \$249,561 inventories increased by \$81,848, and prepaid expenses and other current assets increased by \$73,686. The increase in prepaid expenses and other current assets principally relates to insurance for fiscal 2022 and is offset by a current liability related to the financing of such insurance contracts.

Changes within cash and cash equivalents include increases related to the exercise of 3,437,592 common share purchase warrants resulting in net proceeds of \$684,454. This increase in cash and cash equivalent was offset by \$708,406 of cash used in operations, and \$48,024 related to the principal repayment of the lease liability.

The net book value of property, plant and equipment declined by \$39,427 and was principally a result of the amortization and depreciation expense of \$50,801, which was offset by capital asset acquisitions of \$12,846. As well, the net book value of right-of-use assets declined by \$52,067, because of the amortization and depreciation expense.



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Liabilities

Total liabilities also increased by \$379,757 from the prior year-end to \$1,464,780. Of the changes in liabilities, \$450,378 relates to increases in trade accounts payable and other accrued liabilities. At quarter end, trade accounts payable totalled \$615,225, trade accruals \$269,037, and vacation accruals of \$51,168.

Offsetting the increases in current liabilities was a decrease in unearned revenues of \$19,631 as the Company recognized \$51,137 in revenues which were recorded as contract liabilities at the beginning of the fiscal year. Unearned revenues principally relate to timing differences associated with payments received ahead of revenue recognition, but moreover, the remittance of monies paid by international Distributors in excess of what the Company believes to be the correct foreign tax withholding amounts.

Liquidity

The Company continues to be able to meet its liquidity needs through cash and cash equivalents on hand and cash generated from Powerwave sales.

With the COVID-19 pandemic, the Company has experienced longer delays in realizing on its receivables, which has impacted cash resources. Thus, working capital has seen large recent quarter over quarter variances, as Distributor clients have been delaying paying large amounts owing to Wavefront.

The Company remains focused on invoicing and collection activities. Since the beginning of the COVID-19 pandemic, the Company has not experienced increased bad debts or bad debt allowances.

It is anticipated that, in at least the near term, working capital, and cash from operations will continue to fluctuate. Given the Company's reliance on Distributors as well as a few key customers, should certain expected cash inflows not materialize in the amounts or at the times expected, cash on hand could be significantly reduced in the coming fiscal year. The Company is in frequent contact with its key Distributors and customers, continues to have good working relationships, collaborates on paths forward for business development, and continues to review the credit quality of its counterparties. During the reporting period the Company increased its allowance for doubtful account by \$4,708, which was partially offset by write-off and recoveries of \$1,706.

In managing the Company's risks related to its higher reliance on a few foreign Distributors, the Company recently acquired Export Development Canada ("EDC") Credit Insurance, wherein 90% of insured receivable losses are covered against non-payment caused by a variety of events. The Company's EDC Credit Insurance is currently for specific customers and activities in the Kingdom of Saudi Arabia and the state of Kuwait, where 59.4% of revenues for the quarter were generated.

As of April 27, 2022, Wavefront had \$641,539 of cash and cash equivalents on hand. Of the cash on hand, Wavefront has \$510,723 in high interest savings accounts with an annualized interest rate of 1.70%.



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Working Capital

The following table presents working capital information as at February 28, 2022 and August 31, 2021:

	As at February 28, 2022	As at August 31, 2021	Change
Current assets	1,830,058	1,506,780	323,278
Current liabilities	(1,099,940)	(666,274)	(433,666)
Working capital ¹	730,118	840,506	(110,388)

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

Changes in working capital relate to the net increases in current assets of \$323,278 (i.e., decreases in cash and cash equivalents of \$81,817, increases in trade and other receivables of \$249,561, increases in inventories of \$81,848, and increases of prepaid expenses and other current assets of \$73,686). Changes in working capital were also impacted by the decrease in unearned revenues of \$19,631 (which was impacted by recognizing \$51,137 in revenues which was recorded as contract liabilities at the beginning of the fiscal year) and an increase in trade accounts payable and accrued liabilities of \$450,378.

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; the ability of Distributors and Third-Parties to obtain additional Powerwave work with end-users or E&Ps; and the mix between Powerwave product lines.

Financings

There were no financings during the reporting or the comparative period. Given the Company's stage of development, the COVID-19 pandemic, oil and gas demand and commodity prices both related and unrelated to COVID-19, and global economic uncertainty, it is currently believed that beyond any potential government funding, there are few financing sources available to Wavefront. Any future financings, if available, will also be dependent on Wavefront's credit rating, quality of licensing contracts, etc. and other relevant financing factors.

The Company did not default nor was it in arrears on any contractual commitments or leases and is not subject to any penalties related to delayed payments.

Capital Management

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:

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



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There are currently no known trends or restrictions in Wavefront's capital resources. However, for the reasons noted above, the Company expects working capital to continue to fluctuate.

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.

These 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.

At February 28, 2022, the Company had yet to achieve profitable operations, had an accumulated deficit of \$77,463,844 (August 31, 2021 - \$76,460,034), and for the six month period ended February 28, 2022 had a net loss of \$1,003,810 (February 28, 2021 - \$763,358) and cash used in operations totaled \$708,406 (February 28, 2021 – cash used in operations of \$386,471). It is unclear whether and when the Company can obtain profitability and positive cash flows from operations. These events and conditions form a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern.

The Company currently has a working capital of \$730,118 (August 31, 2021 - \$840,506).

Although the Company has commenced certain expenditure curtailment to reduce monthly cash consumption, the Company, in accordance with its strategic plan, is currently consuming cash resources at a rate in excess of its operational cash inflow. As such, the Company's ability to continue as a going concern is dependent on obtaining additional capital investment, the realization of assets, the further achievement of successful commercialization of its technologies and the improvement of cash flows from operations. Note 8 provides a more detailed description of the liquidity risk. During the prior reporting period the Company secured a \$12,000,000 equity facility ("Facility"), which has yet to be drawn down. There can be no assurance that a draw against the Facility would be accepted, that the Facility will not be cancelled, or that the Company will be successful in raising additional capital, realizing assets, discharging liabilities or generating sufficient cash flows from operations to continue as a going concern.

COVID-19 has impacted access to client and E&P end-user oilfield well sites, and thus, has impacted income (losses) and cash inflows. As the Company operates in multiple jurisdictions, impacts are based on local government policies, rules, and stimulation or recovery programs will impact the extent and duration of the impacts to Wavefront's business are currently unknown and not measurable.

It is currently believed that the material uncertainties related to COVID-19 and oil and gas demand has fostered a great deal of uncertainty as to the time-frame for recovery of the global economy, and has impacted foreign exchange and interest rates, government policies, E&P activities within the oil and gas sectors. Together with the lack of continuing profitable operations, economic reliance on limited key distributors or customers, creates material uncertainties in the near term, and may impact Wavefront's abilities to generate revenues, collect on amounts when due, or obtain conventional or equity financing.

Given the Company's priority of sustainability, all capital and future expenditures, inclusive of research and development projects, will be governed by the Company's working capital position throughout the year.



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

CONTRACTUAL COMMITMENTS

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

	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Contractual commitments and variable lease payment	\$ 233,185	\$ 59,537	\$ 119,073	\$ 54,575	\$ -
Lease liabilities	492,483	120,088	254,420	117,975	-
	\$ 725,668	\$ 179,625	\$ 373,493	\$ 172,550	\$ -

Note 1: Recently 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, 2021 and a five year term expiring on January 31, 2026.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company has no transactions with related parties.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

Other than the below noted, the Company's business risks and uncertainties are the same as disclosed in its annual MD&A issued for the year ended August 31, 2021.

Geopolitical Conflicts - The Russia's invasion of Ukraine on February 24, 2022, or any other invasion or war, may add greater uncertainty directly and indirectly to the future health of the global economy. Geopolitical conflicts may be considered an adjusting condition that may impact certain accounting judgements and estimates, including the measurement of property and equipment.

ENVIRONMENTAL RISK

The Company's environmental risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2021.



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CLIMATE GOVERNANCE AND RISK MANAGEMENT

Aspects of climate change risk and opportunities that most influence Wavefront's business strategy are: future regulatory changes and associated compliance costs, commodity prices, access to markets and capital, social preferences, general capital investment declines in the energy sector, and reputational and Environmental, Social and Governance ("ESG") risk (related to climate change, human rights and ethical and sustainable business practices), and technology development.

The Company currently has a Safety, Health and Environmental policy as part of its Corporate policy manual. The Safety, Health and Environmental policy assists the Board in fulfilling its obligations relating to safety, health and environmental matters concerning Wavefront. Safety and protection of the environment have always been top priorities in Wavefront's business operations. Wavefront believes dedication to safety and environmental protection go beyond implementing the right policies and having the right equipment or department; but ensuring that everyone at Wavefront is aware of both their responsibility for safety matters and protection of the environment and how integral those matters are to the Company's business.

Wavefront is in the process of augmenting its Safety, Health and Environmental policy to include a multi-disciplinary risk management process, which considers ESG and climate change risks and opportunities as part of Wavefront's business evaluation. Processes for identifying, assessing, and managing climate-related issues will be integrated into the Company's enterprise risk management ("ERM") framework.

Although climate change and ESG could negatively impact energy sector activity, it also represents an opportunity for Powerwave's smart technology that does not require capital investment by end-users or E&P, reduces operating costs by decreasing volumes of water or chemical injection and E&P operating horsepower, while reducing the need for more frequent stimulations and increasing near term productions and thus, E&P income and cash flows.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates are the same as disclosed in its Audited Consolidated Financial Statements and Notes, and its annual MD&A issued for the year ended August 31, 2021.

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 February 28, 2022.

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 also exists, as the top three customers currently comprise 70.0%



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

(2021 – 86.8%) of total revenues. However, the majority of transactions are with larger oil field service companies in the Middle East or publicly traded corporations in the United States of America.

In light of the ongoing COVID-19 pandemic, the Company may negotiate some payment extensions with both our vendors and clients. At this time, the Company has not made significant extensions (other than the prior quarters' financing of past amounts due) to our clients or Distributors.

Credit risk related to the Company's two principal Distributors in Saudi Arabia and Kuwait is also mitigated by the Company's, acquisition of Export Development Canada ("EDC") export credit insurance, wherein 90% of insured losses, up to policy maximums, are covered against the risk of non-payment caused by a variety of events.

Credit risk, with respect to accounts receivables, may also be mitigated due to Wavefront's credit evaluation and cash management processes.

Foreign currency risk

Wavefront is exposed to currency risks as a significant portion of its revenues are in foreign currencies, primarily US dollars, as a result of the Company's export of its technology and Powerwave tools to foreign jurisdictions of goods produced in Canada or services provided from Canada. Wavefront is also exposed to some limited operational expenses related to Distributors in foreign operations. Therefore, the Company is exposed to fluctuations in exchange rates to the extent that a strengthening Canadian dollar environment will result in a negative impact and a weakening Canadian dollar environment will result in a positive impact on income from 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.



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	2nd Qtr 2022 Feb 28 '22	1st Qtr 2022 Nov 30 '21	4th Qtr 2021 Aug 31 '21	3rd Qtr 2021 May 31 '21
Revenue	\$ 535,752	\$ 427,631	\$ 415,583	\$ 371,281
Net Loss	\$ (430,524)	\$ (573,286)	\$ (257,022)	\$ (353,977)
Basic & diluted loss per share	\$ (0.0048)	\$ (0.0065)	\$ (0.0029)	\$ (0.0040)
Common shares outstanding				
Weighted average shares outstanding	89,715,359	88,434,782	87,572,573	87,572,573

	2nd Qtr 2021 Feb 29'21	1st Qtr 2021 Nov 30'20	4th Qtr 2020 Aug 31 '20	3rd Qtr 2020 May 31 '20
Revenue	\$ 373,118	\$ 445,760	\$ 695,473	\$ 702,259
Net Income (loss)	\$ (415,839)	\$ (347,520)	\$ 20,773	\$ (16,562)
Basic & diluted income (loss) per share	\$ (0.0047)	\$ (0.0040)	\$ 0.0002	\$ (0.0002)
Common shares outstanding				
Weighted average shares outstanding	87,572,573	87,572,573	87,572,573	87,572,273

Note 1: All amounts in Canadian dollars except share data

DESCRIPTION OF SHARE CAPITAL

As at February 28, 2022, Wavefront's share capital consisted of the following:

Common shares	
Authorized:	unlimited
Issued and outstanding:	
Free trading	91,010,165
Convertible into common shares	
Share purchase warrants	628,741
Incentive stock options	4,600,000
	<u>5,228,741</u>
Fully diluted share capital:	<u>96,238,906</u>

As at April 27, 2022, Wavefront's number of issued and outstanding shares is 91,010,165.

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 OTCQB Venture Market under the symbol WFTSF.

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Warrants granted during the period

No warrants were granted during the reporting quarter.

Warrants outstanding

As at February 28, 2022

Date Granted	Expiry Date	Number of Warrants	Exercise Price per Share \$
July 17, 2018	July 17, 2021	628,741	0.45
		628,741	

During the reporting period ended November 30, 2021, the Company announced that a Triggering Event had occurred in relation to the 3,712,592 common share purchase warrants exercisable at \$0.20, as originally issued by the Company on July 17, 2018. The Triggering Event, resulting from the 10-day closing price of the common shares of the Company, as traded on the TSX Venture Exchange exceeding \$0.20 per common share, and thus, the expiry date of the 3,712,592 common share purchase warrants exercisable at \$0.20 was no longer July 17, 2022, but was accelerated to November 25, 2021.

As a result of the Triggering Event, 3,437,592 common share purchase warrants exercisable at \$0.20 were exercised into an equal number of common shares for net proceeds of \$684,454. The balance of 275,000 common share purchase warrants exercisable at \$0.20 expired unexercised as at November 25, 2021. The closing balance of common share purchase warrants exercisable at \$0.45 relate to the same private placement but were not eligible for re-pricing under TSX Venture Exchange policies.

Options granted during the period

As at February 28, 2022

Date Granted	Expiry Date	Number of Options	Exercise Price per Share \$
September 27, 2021	September 27, 2031	1,800,000	\$ 0.17
		1,800,000	

Of the 1,800,000 stock options that were issued during the reporting period ended November 30, 2021, 1,200,000 were issued to Directors and Officers of the Company.

The Company maintains a 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 to 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.



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Options outstanding

As at February 28, 2022

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share \$
March 1, 2021	March 1, 2031	1,000,000	0.10
September 27, 2021	September 27, 2031	1,800,000	0.17
August 4, 2016	August 4, 2026	1,725,000	0.28
January 6, 2017	January 6, 2027	75,000	0.35
		<u>4,600,000</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:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

However, the Company's Management, and its certifying officers on the Certificates are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in those Certificates. The Certificates do 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 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 financial statements and that (ii) the 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 financial statements.

The Company's certifying officers of the Certificates are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in those Certificates. 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.

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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.

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.



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The forward-looking statements contained herein represent Wavefront's expectations at April 27, 2022, 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).