



Press Release July 29, 2014

## WAVEFRONT ANNOUNCES THIRD QUARTER 2014 FINANCIAL RESULTS

EDMONTON, Alta., July 29, 2014 Wavefront Technology Solutions Inc. (Wavefront or the Corporation, TSX-V: WEE; OTCQX: WFTSF) a technology provider offering fluid delivery processes to oil and gas producers that are widely effective methods for maximizing reserves in mature field revitalization (enhanced oil recovery or “EOR”) as well as increasing single well productivity through more effective well stimulation announces its financial results for the third quarter ending May 31, 2014.

Wavefront’s 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 technologies is the fluid delivery process, Powerwave.

Wavefront is uniquely positioned to capitalize on significant growth opportunities. By leveraging Powerwave across multiple oil industry applications including EOR; well stimulation; and, drilling among other applications, Wavefront is seeking to minimize technology risk and accelerate commercialization timelines. Alberta Energy’s recently announced reduce royalty program aimed at boosting oil production from enhanced oil recovery projects is expected to encourage producers to re-enter previously produced fields to draw out more of the original oil in place<sup>1</sup> and may enhance producer economics, and thus have a positive impact of Powerwave demand.

Third quarter revenues were affected by the client timing for the installation of international Powerwave mature field revitalization projects, which include: an approximate US \$1.25 million contract with Petrobras; an approximate US \$353,500 contract with Pan American Energy; and an approximate US \$1,337,700 contract with EcoPetrol. It is anticipated that commencement of these international Powerwave mature field revitalization projects worth US \$2,941,200 in contracts will commence in late summer 2014.

The basic and diluted net loss, before the non-cash impairment loss, for the nine months ended May 31, 2014 was \$2,866,714 (\$0.035 per share), a decrease of \$466,787 from the comparative period in 2013 of \$3,333,501 (\$0.040). The basic and diluted net loss, including the non-cash impairment loss, for the nine months ended May 31, 2014 was \$4,205,298 (\$0.051 per share) compared to \$3,333,502 (\$0.040 per share) in 2013.

The financial highlights for the three months ended May 31, 2014 include:

- The basic and diluted net loss, before the non-cash impairment loss, for the three months ended May 31, 2014 was \$937,657 (\$0.011 per share), a decrease of \$30,398 from the comparative period in 2013 of \$968,055 (\$0.012 per share). The basic and diluted net loss, including the non-cash impairment loss, for the three months ended May 31, 2014 was \$2,276,241 (\$0.027 per share) compared to \$968,055 (\$0.012 per share) in 2013.

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<sup>1</sup> Enhanced Oil Recovery Plan Offers Royalty Relief, by Dan Healing, Calgary Herald, July 28, 2014

- Cash used in operating activities<sup>2</sup> was \$587,066 compared to \$423,039 for the comparative period. Management believes that over time, the funds used in operations should decrease as revenue grows and as it focuses expenditures on nearer term revenues. Wavefront continues to strive toward sustainability while endeavouring to accelerate revenue growth in its core focus marketing regions.
- Total revenues were \$1,499,056 an increase of \$252,008 (20%) over second quarter revenues of \$1,247,048 but a decrease of \$159,965 over the comparative revenues of 2013 of \$1,659,021.
- Revenues attributed only to Powerwave single well stimulations were \$882,010, an increase of \$74,967 over revenues in the comparative period of \$807,043. (For the nine months ended May 31, 2014, Powerwave revenues related to single well stimulations totalled \$1,965,685, an increase of \$451,416 or 29.8%, compared to \$1,514,269 in the comparative period.)
- Costs of sales were \$460,075 or 30.7% of revenues compared to \$298,162 or 18.0% of revenues in the comparative period. The increase in costs of sales of \$161,912 relates to a prior period adoption of a field incentive and commission program designed at enhancing sales.
- During the third quarter the Corporation undertook impairment testing of its goodwill and the associated assets of the Tubing Pump and Bailers cash generating unit (“CGU”) to which the Corporation’s goodwill is solely attributed. As at May 31, 2014, the Corporation’s market capitalization was below the carrying value of its net assets, which represents a potential impairment indicator. More over the impairment testing was required as Tubing Pump and Bailers CGU’s financial performance was weaker than expected as a result of the higher heavy oil price differential in prior periods, which impacted drilling<sup>3</sup> and thus affected the Tubing Pump and Bailers CGU.

Based on the results of Management’s impairment testing, the Corporation recorded a non-cash impairment loss of \$1,338,584, which is included as a line item of the condensed consolidated interim statements of net loss and comprehensive loss. Since the resulting impairment loss from the Tubing Pump and Bailers CGU exceeded the goodwill allocated to the CGU, the Corporation was required to allocate the additional impairment to certain other assets of the Tubing Pump and Bailers CGU. As the goodwill had a carrying value of \$1,222,217, the Corporation applied the additional impairment amounts to the Tubing Pump and Bailers CGU’s property, plant and equipment in the amount of \$116,367.

The non-cash impairment charge does not have an impact on the Corporation’s cash flows from operating activities and will not have an impact on the Tubing Pump and Bailers CGU’s future operations, as WTI – WCS differentials<sup>4</sup> return to prior levels. The Corporation assessed impairment indicators for the Powerwave, Performance Drilling, and Primawave CGUs and concluded no additional impairment indicators were present at May 31, 2014, and as such, the determination of the recoverable amount for the Powerwave, Primawave and Performance Drilling CGUs was not required.

<sup>2</sup> Cash flow used in operating activities is a measure of the total cash generated from the Corporation’s operations and is calculated by adding back amortization, share based payments and other non-cash items to net income and then adjusting for changes in working capital. Cash flow used in operating activities is a component of the IFRS consolidated statement of cash flows.

<sup>3</sup> TD Economics, Drilling Down on Crude Oil Price Differentials, March 14, 2013 page 3

<sup>4</sup> Bloomberg and USB Estimates for calendar 2016 a differential of US\$16.50/bbl and US\$15.50/bbl for 2018

- Total current assets decreased by \$1,927,205 to \$11,824,408 from the prior year end. Of the net decrease, \$2,341,665 relates to a reduction of cash resource, of which \$1,925,154 was used to fund operations, \$347,456 was used for the acquisition of additional Powerwave tools and equipment, \$84,351 relates to the acquisition of intellectual property licences and patents, less proceeds on disposition of property, plant and equipment of \$15,296. Offsetting the reduction in cash resources were increases in trade and other receivables of \$227,473 and prepaid expenses of \$178,754 that related to accruals related to international Powerwave mature field revitalization projects.

The above financial highlights should be read in conjunction with the audited consolidated financial statements and Management Discussion and Analysis of results for Wavefront for the third quarter ended May 31, 2014, which were filed on SEDAR on July 29, 2014.

ON BEHALF OF THE BOARD OF DIRECTORS

**WAVEFRONT TECHNOLOGY SOLUTIONS INC.**

*"D. Brad Paterson" (signed)*

D. Brad Paterson, CFO & Director

**About Wavefront:**

Wavefront is a technology based world leader in fluid injection technology for improved/enhanced oil recovery and groundwater restoration. Wavefront publicly trades on the TSX Venture Exchange under the symbol WEE and on the OTCQX under the symbol WFTSF. The Company's website is [www.onthewavefront.com](http://www.onthewavefront.com).

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Cautionary Disclaimer – Forward Looking Statement

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 facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations or future performance, are "forward-looking statements". In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "believe", "continue" or the negative of these terms or other comparable terminology. 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. Such 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, and other factors that were described in further detail in Wavefront's continuous disclosure filings, available on SEDAR at [www.sedar.com](http://www.sedar.com). Wavefront expressly disclaims any obligation to up-date any "forward-looking statements", other than as required by law.

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