



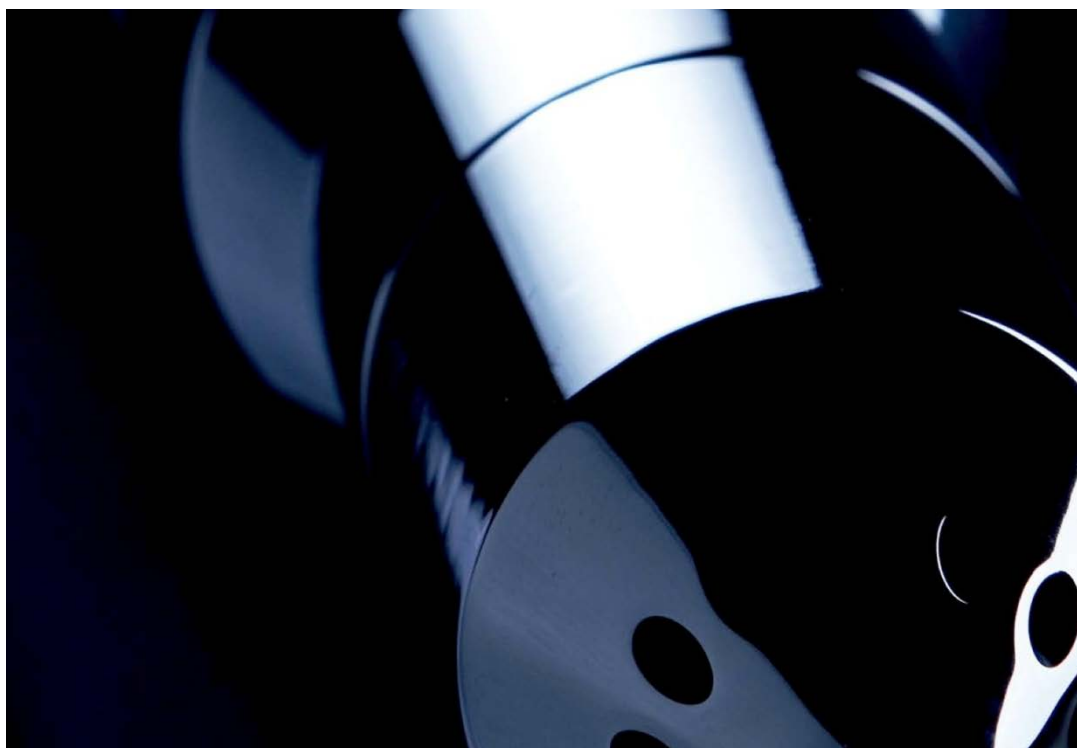
Wavefront Technology Solutions Inc.

☒ Quarterly Report

☐ For the first

☐ Quarter 2020, ended

☐ November 30, 2019



The following discussion and analysis of financial results should be read in conjunction with the unaudited financial statements and the accompanying notes for the quarter ended November 30, 2019 and 2018 and is based on information available to January 27, 2020. Additional information on Wavefront Technology Solutions Inc.'s (the "Company" or "Wavefront") is available on SEDAR at www.sedar.com.

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

MANAGEMENT'S RESPONSIBILITY

Management has prepared this Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Wavefront Technology Solutions Inc.'s (the "Wavefront" or "the Company") financial results prepared in accordance with International Financial Reporting Standard ("IFRS"). The MD&A primarily compares the unaudited financial results for the first quarter ended November 30, 2019 and 2018. Management has established and maintains an accounting and reporting system supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the IFRS's financial records (also see section titled "Controls and Procedures" page 15). The financial information presented throughout this MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the quarter ended November 30, 2019 and 2018 as well as the audited consolidated financial statements for the period ended August 31, 2019 and 2018 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 condensed consolidated interim financial statements on January 27, 2019.

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, to set targets and use in operating activities, and as such 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, being the President and Chief Executive Officer, who 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 technology primarily focused on optimized oil and gas well stimulation and Improved/Enhanced Oil ("IOR/EOR") recovery. For oil and gas well stimulation Powerwave™, Wavefront's core technology, has proven to optimize both chemical costs and job execution time thus minimizing overall job cost without negatively impacting post-stimulation results. In IOR/EOR applications, Powerwave has been shown to improve oil production rates; decrease oil production decline rates; and increase estimated ultimate oil recovery.

Powerwave is marketed in two primary areas to exploration and production ("E&P") companies:

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

A well stimulation is an operation performed on a well to restore or enhance productivity or improve injection. In certain instances a chemical is pumped into the well to stimulate a producing or injection interval. In other cases hydraulic fracturing may be used to boost well performance. Lastly, various stimulation approaches are used to remove scales, such as calcium carbonate or barite, to rid a well of accumulated waxes on tubulars or to remove sand fill. Powerwave stimulations are related to optimized chemical placement or cleaning the wellbore. Depending on the nature of the work Powerwave stimulations may take several hours to several days.

IOR/EOR targets stranded or bypassed oil in reservoir which is very difficult to mobilize and produce due to various physical limitations. The common theme in IOR/EOR approaches is the injection of a fluid that mobilizes bypassed oil. Powerwave IOR/EOR projects are usually 12 months or longer in duration.

Wavefront currently has distribution, agency, or representation ("Distributor") agreements that encompass representation in 65 countries (but are active in this reporting period in 9 countries) and permit Distributors to market and resell the Company's suite of technologies to end users or E&Ps. Distributors are effective alternative distribution channels used to leverage Wavefront's global reach as well as reducing the Company's overall infrastructure as the Distributor deals directly with their customers; the 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, and thus the Distributor is responsible for the execution and costs of work performance with their customers, inclusive of their customer's satisfaction for its entire 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 however, have credit risk in collections from its Distributors.

Distribution agreements do not generally provide for established pricing to end users or E&P's in each country but instead provide 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 however, are entitled to deduct any commissions, fees or foreign tax withholdings from any amounts paid to Wavefront; thus, Wavefront 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 type items required to rebuild or refurbish Powerwave tools, or consumables; and, if needed all Powerwave modeling, and the provision of remote technical support.

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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 user, or E&Ps. In dealing with end users or E&P or non-Distributor, 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: modelling and programming; tool mobilization and installation; tool rental (or sale); Powerwave licensing; and demobilization. As all Powerwave components are transferred consecutively 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).

Many Powerwave tools carry out a patented process; thus, the operation of such tools requires a limited license. 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 well bore and geological structure; and, ii) design patents which cover 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, other intellectual properties (such as the proprietary Powerwave model), etc.

In addition to the aforementioned patent portfolio, the Company's intellectual properties include "know how" or trade secrets to install and to properly operate Powerwave tools, and a proprietary model which details predictive outcomes and operating protocols for Powerwave well stimulations as related to specific reservoir conditions. The proprietary model, in certain geographic regions, 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 is tightly controlled and is performed only by certain Wavefront personnel at the Company's head office in Edmonton, AB.

As a technology based company, Wavefront endeavors to continuously develop new technologies and seek new patents, and as such the Company's intellectual property portfolio will continue to evolve.

OUTLOOK

The oil industry, including the OFS sector, will continue to face challenges to increase revenue and share appreciation. While oil prices spike on occasion, the outlook on the price of oil is generally bearish. Factors such as global economic security, regional conflicts, and a growing shift to low carbon economies directly influence the current situation. The OFS sector—an important sector to Wavefront—must develop diversified approaches and strategies or they will falter. For example, major E&P oil companies have diversified into non-traditional markets such as renewables, which may be an indication of a long term future trend. Adaptation is the key to success and Wavefront intends to adapt and succeed in this changing business landscape.

Wavefront has an available portfolio of technologies that can maximize the production value of oil reservoir assets. Our suite of technologies allows us to modify our strategies to respond appropriately and in a timely manner to the evolving sector landscape and our customer needs. The Company's disciplined focus on continuous innovation and transformation contributes to our ability to flexibly navigate the industries volatility.

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Moving forward, Wavefront will continue to be prudent in managing cash resources and operations while remaining open and considerate to customer requirements and revenue opportunities. We intend to evaluate the addition of new international distributors where such additions align with the Company's business model. We will support our established service marketing partners to enhance revenue-generating opportunities. With an eye toward future growth, we plan to initiate a focused effort with service leaders in the non-traditional oil and gas market environment to align Wavefront's innovative technologies with their actions. Results may not be immediate, but Management believes that the right types of diversification and adaptation implemented with aggressive marketing partners will strengthen the balance sheet and result in sustainable business success.

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

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

For the first quarter 2020 (i.e., three months ended November 30, 2019) recorded revenues amounted to \$700,685 a decrease of \$243,068 from the comparative quarter (i.e., three months ended November 30, 2018) revenues of \$943,753. Of the revenues for the reporting quarter, \$695,184 (2019 - \$840,404) relates to Powerwave stimulations, with \$571,145 of those revenues being derived from the Middle East, a decrease of \$82,358 over the comparative quarter.

Revenues for the first quarter 2020 were not as expected and negatively impacted as US \$500,000 in potential revenues related to the General Services Agreement, which was announced on September 9, 2019, were not yet recognized. Revenues were not recognized, at this time, due to unforeseen, 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. Once the Company can recognize revenues, in accordance with IFRS, the Company will accordingly disclose any such recognition.

In the first quarter 2020, the Company was able to generate cash flows from operations of \$91,825.

Impairment

As at November 30, 2019, the Company assessed impairment indicators for the Company's Powerwave CGU and concluded that no indicators of impairment were present.

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CONSOLIDATED RESULTS – THREE MONTHS ENDED NOVEMBER 30, 2019

Revenues

For the first quarter 2020 revenues amounted to \$700,685, a decrease of \$243,068 from the comparative first quarter revenues of \$943,753. Revenues related to Powerwave stimulations for the first quarter 2020 were \$695,184 compared to \$840,404 in the comparative quarter. Powerwave stimulation activity or jobs performed in the Middle East were lower than expected due to decreased activities of Wavefront's Distributors related to among other issues: end user budgetary constraints; and Distributor field performance resulting in jobs being provided to alternate coiled tubing companies. The Company however, was able to recognize revenues of \$571,145 in part due to the various exclusivity agreements that provided for either minimum numbers of Powerwave stimulation jobs or guaranteed revenues within the Middle East.

Geographically, \$39,841 (2019 – \$90,180) in revenue was generated in North America, \$571,145 (2019 - \$751,652) in the Middle East, and \$89,699 (2019 - \$101,920) in other international geographic regions. The geographic revenues are more specifically described as follows:

North America: Revenues in North America decreased by \$50,340 to \$39,841 compared to \$90,181 in comparative quarter. Powerwave stimulation recorded revenues in North America were \$39,841 (2019 - \$84,981); and Other Technology revenues totalled \$nil (2019 - \$5,200).

Middle East: Revenues in the Middle East decreased by \$180,507 to \$571,145 (2019 - \$751,652). Powerwave stimulation revenues in the Middle East decreased by \$82,358 to \$571,145 (2019 - \$653,503); and Powerwave IOR/EOR projects revenues totalled \$nil (2019 - \$98,149).

Other International: Revenues outside of North America and the Middle East decreased by \$12,221 to \$89,699 (2019 - \$101,920). Powerwave stimulation revenues in other international markets totalled \$85,381 (2019 - \$101,920); and Other Technology revenues totalled \$4,318 (2019 - \$nil).

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 Primawave product lines.

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

Costs of sales for the three month period ended November 30, 2019 were \$33,978 or 4.8% of revenues (November 30, 2018 - \$84,829 or 9.0% 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 was 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 approximated \$32,188.

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Expenses

General and administrative, sales and marketing, research and development, loss on disposal of property, plant and equipment, and amortization and depreciation expenses for the first quarter 2020 ended November 30, 2019, aggregated to \$910,145, compared to \$938,335 for the comparative quarter ended November 30, 2018. The changes within these expenses were principally a result of the following changes:

- i) General and administrative expenses decreased by \$116,366 (November 30, 2019 - \$587,233; November 30, 2018 - \$703,599) and principally relate to the following:

- Professional fee decreased by \$39,611 to \$79,666, the changes of which, principally relates to a decrease in patent agents fees in the current quarter, which were partially offset by an increase in legal fees related to licensing and distributor agreements.

In addition, the comparative reporting period, only, had increased accounting and legal fees related to the vertical amalgamation of a wholly-owned Wavefront entity, as well as professional expenses related to the disposition of the tubing pumps and bailer assets and the assignment of the Lloydminster office and warehouse lease.

- Consulting expenses decreased by \$38,665 to \$71,632, and principally relates to a reduction in the mix in the number and types of engagement of reservoir engineering consultants and representatives in the Middle East and engineering consulting fees related to tool development, and in IT consulting. More specifically the comparative period, only, included IT consulting related to the upgrading of the Company's enterprise reporting software and European representation consulting expenses.
- Office expense decreased by \$19,150 to \$102,375, and principally relate to the adoption of International Financial Reporting Standard 16 – Leases ("IFRS 16"). The Company adopted IFRS 16 effective September 1, 2019 using the modified retrospective approach, which entails that the comparative period was not retroactively restated. Thus, the current period office expense, within the general and administrative functional expense category, was reduced by the fixed lease payments of \$39,000. However, the new lease accounting also necessitated an increase in the current reporting period's depreciation and interest expenses by \$37,589 and \$2,486, respectively, which are reported in other functional categories. The comparative reporting period also had a reduction of \$7,850 in accruals.

Offsetting the aforementioned changes within office expense, the Company had increases of \$8,782 in computer expenses, and \$6,949 in insurance.

- Repairs and maintenance expenses decreased by \$16,998 to \$12,293, and principally relate to a decrease in field related work.
- Share based payments decreased by \$14,065 to \$nil. The current period had \$nil expense due to the prior period's earlier termination of the investment relation firm, and the prior expensing of all stock options outstanding. At present, there is \$nil in unamortized stock option expense to be expensed over future periods.

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- Vehicle expenses also decreased by \$2,850 to \$6,024, and principally relate to a decrease in field related work.
 - Offsetting the above noted decrease were increases in: wage and benefits increased by \$7,339 to \$261,159; and increases in bad debt increased by \$8,436 to \$7,468. The increases of wage and benefit expenses are principally a function of decrease in allocations to other functional expense categories, in particular costs of goods sold and sales and marketing; as overall wage and wage benefits paid (i.e., irrespective of functional allocation amounts) decreased by \$15,515 (November 30, 2019 - \$388,891; November 30, 2018 - \$404,406). The increase in bad debt expense by \$8,436 to \$7,468 and principally relates to the current quarter's bad debt impairment of one account in the amount of \$5,741 and an increase in bad debt allowance of \$1,727.
- ii) Amortization and depreciation expenses increased by \$48,968 to \$93,669 from the comparative quarter. Depreciation and amortization expense was impacted by the adoption of IFRS 16, which required \$37,589 in additional depreciation expense on right-of-use assets. Depreciation expense on property, plant and equipment for the three months ended November 30, 2019 was \$56,080 (November 30, 2018 - \$44,701), and was impacted by prior periods increases in Powerwave stimulation tools.
- iii) The Company also had an increase in research and development expense of \$32,564 to \$60,316, while sales and marketing expenses increased marginally by \$7,578 to \$168,927. The increase in research and development expenses principally related to engineering consulting fees of \$15,750 related to new tool research and design. Of the wage expense within research and development \$21,471 (2019 - \$15,792) relates to labour of a physicist and reservoir engineer that support the Company's Powerwave product line.; whereas, the changes within the sales and marketing expenses principally related to decreases in Middle East and other international travel related expenses of \$9,767, which was offset by increases in wage and wage benefits of \$14,552 and sales and marketing expenses of \$2,531.

Net Finance Section of Income

Financing income of \$7,763 (2019 - \$8,145) 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 \$5,538 (2019 – gains of \$26,778) is a result of the translated difference between spot rates and the average for the year of items in the Company's Canadian entity.

Financing cost of \$3,269 (2019 - \$1,459) includes interest expense, for both reporting quarters that relates to interest on insurance financing contracts. In addition, interest expense of \$2,486 relates to lease liability (i.e., IFRS 16) is included in the current reporting period only.

Operating Cash Flows

The following table sets out the cash used in operations for the first quarter ended November 30, 2019 and 2018:

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	As at November 30, 2019	As at November 30, 2018
Net Loss	\$ (244,782)	\$ (45,947)
Changes to net loss not including cash		
Amortization and depreciation	93,669	44,701
Impact of foreign translation	(2,320)	(17,276)
Interest expense	(3,269)	(1,459)
Share-based payments	-	14,065
Loss on disposal of property, plant and equipment	-	934
Changes to working capital		
Change in trade and other receivables	170,014	265,432
Change in trade and other payables	122,925	(13,144)
Change in unearned revenue	73,342	101,013
Change in inventory	27,205	(40,315)
Interest paid	3,269	1,459
Change in deposits	-	(9,361)
Change in prepaid expenses	(148,228)	40,798
Cash from operating activities	\$ 91,825	\$ 340,900

Cash flows from operating activities for the quarter was principally impacted by non-working capital items, and the new accounting treatment of leases, which increases interest cost by \$2,486 however, the principal repayment of \$36,514 related to lease liabilities are no longer recorded in the operating activities section but is recorded in the financing activities section of the statement of cash flows.

Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for the first quarter 2020, i.e., the three months ended November 30, 2019 was \$244,782 (or \$0.003 basic and diluted loss per share), an increase of \$198,835 from the comparative quarter ended November 30, 2018 which reported a net loss of \$45,947 (or \$0.001 basic and diluted loss per share).

The comprehensive loss of \$247,245 was negatively impacted by foreign translation loss of \$2,463 on its foreign, wholly owned, subsidiary in the United States versus the reported comprehensive loss of \$41,150 reported in the comparative reporting quarter ended November 30, 2018.

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

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

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	As at November 30, 2019	As at November 30, 2018
Net Loss	\$ (244,782)	\$ (45,947)
Items not affecting cash		
Amortization and depreciation	93,669	44,701
Interest and tax expense	3,269	1,459
EBITDA (loss)	\$ (147,844)	\$ 213
EBITDA (loss) per share	\$ (0.002)	\$ 0.000

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

EBITDA was impacted by the adoption of IFRS 16 as described elsewhere.

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total assets increased by \$125,513 to \$4,301,477 from the prior year end, the changes of which principally relates to the increase of \$44,938 in cash and cash equivalents, and increases of \$148,228 in prepaid expenses and other current assets. The increases in cash and cash equivalents principally related to cash generated from operations.

Total assets also increased due to the recognition of right-of-use assets (as required by IFRS 16) as at September 1, 2019 of \$213,005, which was amortized over the reporting period by \$37,589.

Offsetting the aforementioned asset increases were decreases of \$170,014 in trade and other receivables; decreases of \$27,205 in inventories; and, decreases of \$45,850 in property, plant and equipment. Trade and other receivables decreased as a result of decline in recorded revenues. Decrease in property, plant and equipment relates to \$56,080 due to amortization, and offset by purchases of \$10,254.

Liabilities

Total liabilities increased by \$372,758 from the prior year-end to \$1,226,608. Of the changes in liabilities, \$73,342 relates to an increase in unearned revenue, \$65,087 relates to an increase in trade accounts payable, while \$57,839 relates to an increase in employee expenses and entitlements. The increases in unearned revenues principally relate to the remittance of amounts by international clients in excess of what the Company believes to be the proper tax withholding amounts, whereas the increase in trade accounts payable is a result of Management matching its payables to its receipt of accounts receivables.

Total liabilities also increased due to the recognition of current and non-current lease liabilities (as required by IFRS 16) of as at September 1, 2019 of \$161,537 and \$51,468, respectively. These lease liabilities were then reduced through the principal net payment of lease obligation.

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Liquidity

The following table presents working capital information as at November 30, 2019 and August 31, 2019:

	As at November 30, 2019	As at August 31, 2019	Change
Current assets	3,336,409	3,340,462	(4,053)
Current liabilities	(1,173,133)	(853,850)	(319,283)
Working capital ¹	2,163,276	2,486,612	(323,336)

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

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

Other the changes in working capital relates to the net increase in cash and cash equivalents (i.e., increasing \$44,938), and prepaid expenses and other current assets (increasing \$148,228); which was offset by decreases in inventory (decreases of \$27,205), and increases in current liabilities of \$319,283 (i.e., unearned revenue increased by \$73,342, trade accounts payable increased by \$122,925, and increase in current lease liabilities of \$123,016). Working capital was also impacted by the adoption of IFRS 16 as at September 1 2019, the Company now has a current liability recorded of \$123,016 with no offsetting current asset.

The Company did not default nor was it in arrears on any contractual commitments or leases.

Financings

There were no financings during the reporting or the comparative period.

Capital Resources

Currently, and in addition to the Contractual Commitments (noted below), and in accordance with Wavefront's strategic plan, cash resources will be judiciously managed, however will be used for the following:

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

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

As of January 27, 2020, Wavefront had \$2,800,855 of cash and cash equivalents on hand. Of the cash on hand, Wavefront has \$1,822,635 in high interest savings accounts with annualized interest rate ranging between 1.85% and 1.95%. The cash and cash equivalents on hand as at January 27, 2020 increased by \$157,757 since the first quarter ended November 30, 2019.

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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.

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

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

CONTRACTUAL COMMITMENTS

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

	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	\$ 99,848	\$ 75,041	\$ 24,807	\$ -	\$ -
Lease liabilities	182,000	117,000	65,000	-	-
	\$ 281,848	\$ 192,041	\$ 89,807	\$ -	\$ -

Note 1: In a prior year, the Company entered into a office and warehouse lease for its Edmonton, Alberta operations. The office and warehouse lease had a commencement date of February 1, 2011 and a ten year term expiring on January 31, 2021.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Expense transaction

In a prior year, the Company entered into a Consulting Agreement with Mr. Roger Kazanowski, a Director of the Company, to act as an advisor to senior management in relation to strategic planning and marketing. Mr. Kazanowski was remunerated a monthly consulting fee of US \$5,000 per month. During the three months ended November 30, 2019, the Company recorded \$nil (November 30, 2018 - \$6,628) in consulting expense, with \$nil



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(August 31, 2018 - \$nil) included in accounts payable. Effective September 30, 2018, the Consulting Agreement was terminated.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

Other than the additional risks and uncertainties set out below, the Company's business risks and uncertainties are the same as disclosed in its annual MD&A issued for the year ended August 31, 2019 (under the heading "Risks and Uncertainties").

Reliance on Distributors and Third Parties – The Company has, and is anticipated to enter into, various arrangements with agents, collaborators, licensors, licensees and others for the marketing of its products and services and execution of those jobs related to those products and services. Inadequate or poor performance of the Distributors and Third Parties, both related to Powerwave jobs or to other non-Wavefront related product and services offerings, may impact the ability of those Distributors and Third Parties to obtain additional work with end users or E&Ps, and may negatively affect the Wavefront and Powerwave brands, and thus, potentially negatively impact the Company's revenues. The Company attempts to manage this risk by visiting each region and training its Distributors in the operation of Powerwave tools, but beyond this training, the Company does not have a significant influence on how its Distributors and Third Parties operate or conduct themselves.

Agreements with Minimum Work or Guaranteed Revenues – The Company has entered into various agreements with its Distributors, and E&P clients that provided for either minimum numbers of Powerwave stimulation jobs or guaranteed revenues in the various geographic regions. Although such agreements may entice the Distributors and E&Ps to undertake work such they receive financial benefits, there is no assurance that they will receive a benefit. There is thus, no assurance that the agreements for minimum numbers of Powerwave stimulation jobs or guaranteed revenues in the various geographic regions will not be cancelled or will continue.

ENVIRONMENTAL RISK

The Company's environmental risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates are the same as disclosed in its annual MD&A issued for the year ended August 31, 2019, except as noted in the Changes in Accounting Policies as referenced below.

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 first quarter ended November 30, 2019.



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FINANCIAL AND OTHER INSTRUMENTS

Wavefront's significant financial and other instruments consist of accounts receivable, accounts payable and accrued liabilities and interest bearing obligations such as its operating line, and other amounts that will result in future cash outlays.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Wavefront's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited as the majority of transactions are with large publicly traded corporations or government organizations dispersed across geographic areas. Credit risk, with respect to accounts receivables in Canada and the United States, is also limited due to Wavefront's credit evaluation and cash management processes.

Foreign currency risk

Wavefront is exposed to currency risks as a result of its export to foreign jurisdictions of goods produced in Canada or services provided from Canada, and the operational expenses and revenue of foreign operations. These risks are partially covered by purchases of goods and services in the foreign currency. Wavefront does not use derivative instruments to reduce its exposure to foreign currency risk.

Fair value of financial instruments

The carrying value of Wavefront's financial instruments approximates their fair value. The estimated fair value approximates the amount for which the financial instruments could currently be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Certain financial instruments lack an available trading market; therefore, fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instrument.

SUPPLEMENTARY INFORMATION

SUMMARY OF QUARTERLY RESULTS AND LOSS PER SHARE

The following tables sets forth selected data derived from our unaudited condensed consolidated interim financial statements for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited financial statements and related notes thereto.

	1st Qtr Nov 30 '19	4th Qtr Aug 31 '19	3rd Qtr May 31 '19	2nd Qtr Feb 28 '19
Revenue	\$ 700,685	\$ 960,356	\$ 831,321	\$ 894,887
Net Loss	\$ (244,782)	\$ (112,539)	\$ (31,180)	\$ (243,823)
Basic and diluted loss per share	\$ (0.003)	\$ (0.001)	\$ (0.0004)	\$ (0.0028)
Common shares outstanding				
Weighted average shares outstanding	87,572,573	87,540,244	87,529,350	87,507,380



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

Note 1: All amounts in Canadian dollars except share data

DESCRIPTION OF SHARE CAPITAL

As at November 30, 2019, Wavefront's share capital consisted of the following:

Common shares	
Authorized:	unlimited
Issued and outstanding:	
Free trading	87,572,573
Convertible into common shares	
Share purchase warrants	4,341,333
Incentive stock options	<u>2,775,000</u>
	<u>7,116,333</u>
Fully diluted share capital:	<u>94,688,906</u>

As at January 27, 2020, Wavefront's number of issued and outstanding shares is 87,572,573.

Market for Securities

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

Warrants granted during the period

No warrants were granted during the reporting quarter.

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Warrants outstanding

As at November 30, 2019

Date Granted	Expiry Date	Number of Warrants	Exercise Price per Share \$
July 17, 2018	July 17, 2020	4,341,333	0.45
		<u>4,341,333</u>	

Options granted during the period

No options were granted during the reporting quarter.

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 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.

Options outstanding

As at November 30, 2019

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share \$
March 17, 2015	March 17, 2020	800,000	0.12
August 4, 2016	August 4, 2026	1,900,000	0.28
January 6, 2017	January 6, 2027	<u>75,000</u>	0.35
		<u>2,775,000</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,

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- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

However, the Company's Management, and its certifying officers on the 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.

FORWARD-LOOKING INFORMATION

Certain statements contained herein regarding Wavefront and its operations constitute "forward-looking statements" within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995. All statements that are not historical or current facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations or future performance of Wavefront and or any of its subsidiaries, as described in the Management Discussion and Analysis above, are "forward-looking statements". Forward-looking information can be identified by the use of the future tense or other forward-looking words such as "believe", "expect", "anticipate", "intend", "should", "may", "could", "would", "objective" "forecast", "position", "intend" or the negative of those terms or other variations of them or comparable terminology. Examples of such forward-looking information in this document include, but are not limited to statements with respect to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions that may prove to be incorrect:

- *under the heading "Outlook" the outlook for Wavefront's business and its long-term plans, including potential cash payments under the terms of the non-binding Memorandum of Understanding with GDMC, potential growth of sales in the Middle East, South and North America, and the potential necessity for further cost reductions;*
- *under the heading "Liquidity and Capital Resources", Wavefront's beliefs about its working capital position and cash flow break even and its use of cash; and*
- *under the heading "Contractual Commitments", Wavefront's beliefs about working capital sufficiency the potential receipt of payment of certain aged receivables and potential sources of financing.*

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

The forward-looking statements contained herein represent Wavefront's expectations at January 27, 2020, 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).