Wavefront Technology Solutions Inc.

Quarterly Report

For the third

Quarter ended

May 31, 2020

The following discussion and analysis of financial results should be read in conjunction with the unaudited financial statements and the accompanying notes for the quarters ended May 31, 2020 and 2019 and is based on information available to July 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 third quarters ended May 31, 2020 and 2019. 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 24). 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 May 31, 2020 and 2019 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; 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 July 27, 2020.

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.

ECONOMIC UNCERTAINTY AND CRUDE OIL PRICE VOLATILITY

During the reporting period ended May 31, 2020, the global impact of the Coronavirus ("COVID-19"), as well as, recent declines and volatility in spot prices for and over supply of oil and gas has resulted in significant declines in global stock markets and has fostered a great deal of uncertainty as to the health and time-frame for recovery of the global economy.

Wavefront is subject to liquidity risks in maintaining their revenues and earnings, as well as, cash flows and financial condition. These factors, amongst others, are likely to have a negative impact on the Company's ability to raise equity and/or obtain loans and other credit facilities in the future or on terms favourable to the Company.

The Company is directly or indirectly involved in providing goods and services to the oil and gas sector, which has been affected by the impact of COVID-19, as well as other economic factors impacting the oil and gas sector. These conditions may impact certain accounting judgments and estimates, including the measurement of property and equipment, as at May 31, 2020.

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 recovery ("IOR/EOR"). 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. 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 10 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 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.

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-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).

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.

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 continues to be confronted by the unprecedented convergence of the global COVID-19 pandemic coupled with the realignment of oil production and supply sources. This unusual combination of events has impacted the Company's customers and their activity levels.

After falling into negative price territory, West Texas Intermediate (WTI) oil has recently stabilized near $40 per barrel. Though Brent crude, the global benchmark oil price, also had a precipitous fall but remained above zero, it too has recently held steady above $40 per barrel. While the drop in WTI and Brent oil prices related to storage options reaching critical capacity as oil demand weakened with worldwide COVID-19 related shutdowns, recent price stabilization is attributed to global oil producers slashing production levels in the face of declining demand.

Though there has been some recent oil price stabilization, there remains considerable uncertainty surrounding the on-going global COVID-19 pandemic and its impact on economic re-openings and the resulting demand for oil. Additionally, there remains uncertainty regarding current OPEC+ production cuts and moreover member countries adhering to individual production levels. Lastly, there remains uncertainty surrounding the role US shale production may play in the short and near term. Consequently, there may continue to be oil price volatility in the industry for the foreseeable future.

While the Company previously anticipated a resumption of pre-pandemic well servicing activities by our distributors in our focus areas in the mid-summer 2020 timeframe, we now do not anticipate this to occur until late 2020. We will continue to closely monitor activity recovery as countries more fully open for business and oil demand rises. However, if a second wave of COVID-19 occurs we anticipate countries to again place stringent health safeguards and travel restrictions which would push back this timeframe. Furthermore, if there is downward pressure on WTI and Brent crude oil prices we expect E&P companies to adjust their capital and operating budgets accordingly which will affect well servicing activities.

While uncertainty remains, when current global circumstances pivot and the oil industry turns to recovery, we anticipate an uptick in activity levels as E&P companies work to maintain and restore production capacity. With Wavefront's available portfolio of technologies to maximize the production of oil, the Company believes our long-term fundamentals remain strong. 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 industry's volatility.

Moving forward, Wavefront will continue to be good stewards in managing cash resources and operations. We are optimistic of the future and we will do our best to ensure the Company is in a strong position to meet the resumption of activities and enhance revenue generating opportunities to bolster Wavefront's balance sheet.

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.

In the State of Kuwait, the country had been on a government-mandated COVID-19 lockdown since early March 2020. Until recently this lockdown curtailed all but essential oil field work, and as such, the Company's anticipated WaveAxe™ field trial was postponed. While well servicing activities are increasing, including activities associated with the Saudi Arabia/Kuwait Al Khafji Joint Operations region, there is no new timetable for the WaveAxe field trial, and it is likely to be deferred to calendar 2021. Subsequent to the third quarter ended May 31, 2020 Gulf Drilling and Maintenance Co. ("GDMC"), the Company's exercised its option for early termination of the Exclusivity Agreement with the Company (originally announced December 6, 2017) for exclusive use of Wavefront's Powerwave technology in Kuwait. GDMC and the Company are currently discussing a new distribution agreement which may be in the form of an exclusive with minimum fees or non-exclusive arrangement. There is no assurance such agreement will be concluded.

Much like Kuwait, the Kingdom of Saudi Arabia has seen strong measures being taken to combat the spread of COVID-19. These measures have resulted in the cessation of face-to-face marketing efforts by our local distributor hence sales and marketing by the Company and its Distributor continue remotely. Although Wavefront technology has a very positive track record in the Kingdom due to circumstances outside of the Company's control during the third quarter ended May 31, 2020, overall Powerwave activity continued to be lower than targeted hence Wavefront recorded lower than anticipated revenue. Subsequent to the third quarter ended May 31, 2020 the Company informed the local distributor that at the end of the current exclusivity period which ends August 31, 2020, Wavefront will move to another third-party distributor as its representative arm in the Kingdom. The Company believes this is the best course of action to broaden the use of Powerwave-related technology in Saudi Arabia with the objectives of reducing customer reliance risk, increasing potential market penetration, and technology adaptation.

For the third quarter 2020 (i.e., three months ended May 31, 2020) recorded revenues totalled $702,259 a decrease of $129,062 from the comparative quarter (i.e., three months ended May 31, 2019) revenues of $831,321. Despite the impacts of the drop of commodity prices and COVID-19 during the reporting quarter, revenues from the third quarter remained relatively flat from those revenue recognized in the second quarter 2020 (i.e., $706,040 for the three months ended February 29, 2020).

Of the $702,259 in revenues for the third quarter 2020, $693,229 relates to Powerwave stimulations compared to $753,729 in the comparative quarter. Powerwave stimulation revenues for the reporting quarter for the Middle East totalled $619,289 (2019 - $605,575).

Net losses for the third quarter totalled $16,562 (2019 - $31,179). Additionally, the third quarter net loss of $16,562 was a decrease of $403,050 from that recognized in the second quarter 2020 (i.e., the three months ended February 29, 2020). Excluding the prior quarter's inventory impairment of $211,965, the third quarter net losses still decreased by $191,085 over the prior quarter's net loss, principally due to expense reductions in general and administrative, and sales and marketing functional expenses.

For the third quarter ended May 31, 2020, the Company was able to generate $293,637 of cash flows from operating activities, and a net increase in cash and cash equivalents of $250,567, while also increasing working capital by $30,562 over the prior quarter ended February 29, 2020.

For the nine months ended May 31, 2020, revenues totalled $2,108,984 (2019 - $2,669,961). Of the revenues for the reporting period, $1,914,833 relates to Powerwave stimulations, with $1,659,258 of those revenues being derived from the Middle East, a decrease of $283,241 over the comparative period. The Company continues to focus business development efforts with its Distributors in the Middle East generating revenues of $996,200 in Kuwait, and $679,206 in the Kingdom of Saudi Arabia related to Powerwave stimulations for the nine months ended May 31, 2020.

For the nine months ended May 31, 2020, the Company's Distributor in Colombia completed four Powerwave Odyssey and four Powerwave SAN stimulations. There remain five Powerwave Odyssey stimulations to be completed from the initial ten well contracted program granted to Wavefront's Distributor. The remaining stimulation work is not anticipated to be completed until calendar year 2021. In addition to the outstanding Powerwave Odyssey stimulations the Company is waiting on the installation of a dual Powerwave Dragonfly IOR/EOR system. The timing of this installation also remains unclear.

Revenues for the three and nine months ended May 31, 2020 were not as anticipated and negatively impacted as the potential revenues related to a General Services Agreement ("GSA"), which was announced on September 9, 2019, were not yet recognized, at this time, due to unforeseen circumstances beyond the Company's control. Due to the Company's inability to recognize revenues, the Company and the E&P client agreed to an amendment to the GSA such that minimum guaranteed aggregate consideration of US $500,000 per quarter will be suspended during the period of May 1, 2020 to December 1, 2020 (the "Amendment Period"). During the Amendment Period the Company will invoice the client only for work performed. It is hoped that such suspension of the GSA will allow external events to be corrected thus permitting the Company to properly recognize revenues in future periods. 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 collect all amounts owed but not recognized. Once the Company can recognize revenues, in accordance with IFRS, the Company will accordingly disclose any such recognition.

For the nine month period ended May 31, 2020, general and administrative, sales and marketing, and research and development expenses decreased by $353,308 (or 13.8%) to $2,215,872, compared to $2,569,180 in May 31, 2019.

Impairment

As at May 31, 2020, and during the period then ended, the Company identified several external indicators of impairment such as:

- The recent declines and volatility in spot prices for and over supply of oil and gas; and
- COVID-19's impact on the Company's marketing and distribution channels, and its impact on global stock markets and macroeconomies has fostered a great deal of uncertainty as to the health and time-frame for recovery of the global economy.

Due to the existence of these impairment indicators, the Company was required to perform formal impairment testing as at May 31, 2020.

In assessing the recoverable amount of an asset or cash-generating unit ("CGU"), the Company measures the recoverable amount as the greater of its value-in-use and its fair value less costs to sell.

In calculating the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU).

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

Impairment tests performed during the period ended May 31, 2020 – Powerwave CGU

The recoverable amounts of property, plant and equipment and intangible assets, recorded within its only CGU, e.g. the Powerwave, as at May 31, 2020 reporting period, was determined using the greater of value-in-use and fair value less costs to sell. As the estimated recoverable amounts were determined to exceed the carrying value of the property, plant and equipment and intangible assets recorded within the Powerwave CGU, no impairment loss was recognized.

The Company is directly or indirectly involved in providing goods and services to the oil and gas sector, which has been affected by the impact of COVID-19, as well as other economic factors impacting the oil and gas sectors. These conditions may impact certain accounting judgements and estimates, including measuring the recoverable amount of, and the carrying value of an asset.

The Company will continue to work on revisions to Wavefront's forecasts and development plans in light of the current conditions and will use these updated assumptions / forecasts in our impairment indicator analysis and for impairment tests, if such tests are required.

Consolidated Results – nine-months ended May 31, 2020

Revenues

Revenues for the nine month period ended May 31, 2020 totalled $2,108,984, a decrease of $560,977 from the comparative period revenues of $2,669,961. Revenues related to Powerwave stimulations for the period ended May 31, 2020 totalled $1,914,833 (2019 - $2,410,018). Powerwave stimulation revenues for the reporting quarter from the Middle East totalled $1,659,258 (2019 - $1,942,499). North American stimulation revenues totalled $93,889 and remain well below expectations, in part due to the unrecognized revenues related to the GSA noted above, while Powerwave stimulation in other international regions totalled $161,686. Revenues for the nine months ended May 31, 2020, related to Powerwave IOR/EOR projects totalled $180,802 (2019 - $183,147).

The subsequent earlier GDMC termination of the Exclusivity Agreement for the license of Wavefront's Powerwave technology in Kuwait, and ongoing discussions pertaining to a new distribution agreement (be it exclusive or non-exclusive) may impact future revenues related to any exclusive tool rental fees and / or Powerwave stimulation work.

Geographically, $274,691 (2019 – $240,648) in revenue was generated in North America, $1,659,258 (2019 - $2,140,807) in the Middle East, and $175,305 (2019 - $288,506) in other international geographic regions. The geographic revenues are more specifically described as follows:

North America: Revenues in North America increased by $34,043 to $274,691 compared to $240,648 in the comparative quarter principally due to the sale of IOR/EOR Powerwave systems in the current reporting period for $180,802. Powerwave stimulation revenues in North America totalled $93,889 (2019 - $197,743) are well below expectations in part due to the unrecognized revenues related to the GSA noted above; Other Technology revenues totalled $nil (2019 - $42,905).

Middle East: Revenues in the Middle East totalled $1,659,258 (2019 - $2,140,807). Powerwave stimulation revenues in the Middle East totalled $1,659,258 (2019 - $1,942,498); Powerwave IOR/EOR projects revenues totalled $nil (2019 - $174,932) as the sole Middle East IOR/EOR project came to a conclusion on August 31, 2019; and Other Technology revenues totalled $nil (2019 - $23,377).

Other International: Revenues outside of North America and the Middle East totalled $175,035 (2019 - $288,506). Powerwave stimulation revenues in other international markets totalled $161,686 (2019 - $269,777); Powerwave IOR/EOR projects revenues totalled $nil (2019 - $8,215); and Other Technology revenues totalled $13,349 (2018 - $10,513).

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 costs for the period in which they occur or are known to occur.

Costs of sales for the nine month period ended May 31, 2020 totalled $117,769 or 5.6% of revenues (May 31, 2019 - $314,331 or 11.8% of revenues). Costs of sale in the current and comparative reporting periods were impacted by a greater proportion of revenues being derived through Distributors, and moreover, the majority of revenues recognized which were attributed to Distributor agreements providing for either minimum numbers of Powerwave stimulation jobs, or guaranteed revenues or royalties, which have 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 $57,346 (2019 - $165,220).

Expenses

For the nine months ended May 31, 2020 the Company fully impaired $216,0479 of raw materials and consumable inventory to the estimated net realizable value at $nil. Of the inventory impaired, $196,787 was classified as non-current and recorded within the equipment under construction, under the tools and equipment asset segment. The recent abnormal volatility in spot prices for oil as well as, COVID-19 has created material uncertainties, and has also impacted the Company's ability to consume or sell these inventory items within the next twelve months.

General and administrative, sales and marketing, and research and development expenses for the nine months ended May 31, 2020, declined by $353,308 or 13.8% to $2,215,872, compared to $2,569,180 for the nine months ended May 31, 2019.

The changes within general and administrative, amortization and depreciation, sales and marketing, and research and development expenses for the nine months ended May 31, 2020 were principally a result of the following changes:

i) General and administrative expenses decreased by $366,932 or 18.2% (May 31, 2020 - $1,652,837; May 31, 2019 - $2,019,769). The change in general and administrative expenses ware as follows with the noted variances:

	Nine months ended		
	May 31, 2020	May 31, 2019	Variance
Wages, wage expenses and benefits	$ 780,359	$ 735,627	$ 44,732
Office	306,173	417,171	(110,998)
Professional fees	211,659	284,309	(72,650)
Public company & listing fees	143,132	199,970	(56,838)
Consultants	130,898	253,092	(122,194)
Repairs and maintenance	35,858	66,959	(31,101)
Bad Debts	23,004	695	22,309
Vehicle	20,421	31,190	(10,769)
Miscellaneous	1,333	1,058	275
Share based payments	-	29,698	(29,698)
	$ 1,652,837	$ 2,019,769	$ (366,932)

Despite some temporary employee layoffs in the current reporting period related to oil industry volatility and COVID-19 impacts, general and administrative functional wage expense increased as less wage expense was allocated to other functional areas (i.e., costs of goods sold, sales and marketing, and research and development) due to less activities in those other functional areas.

In the prior year end the Company recorded bad debt expense of $431,842 against a Permian Basin-based client's aged accounts over 120 days. Despite the bad debt expense, the Company's Management continue to aggressively pursue and secure the outstanding amount owing including interest. Should any receipt of payment occur, Wavefront will record a bad debt recovery, i.e., an expense credit, reversing the bad debt expense, and will disclose accordingly.

ii) Amortization and depreciation expense increased by $120,583 to $284,000 from the comparative period. Depreciation and amortization expense were impacted by the adoption of IFRS 16, which required $112,767 in additional depreciation expense on right-of-use assets, and the addition of an intangible asset that increased depreciation and amortization by $2,703.

iii) Research and development expense increased by $79,990 to $167,592. Research and development expense relate to labour of the Company's physicist and reservoir engineer that support our Powerwave product line and developing a prototype high flow bypass and multilateral Powerwave tool. The high flow bypass and multilateral prototype tool is hoped to allow the Company's distributors enter into a sector of wells not now open to stimulation via the Powerwave Odyssey.

The changes in research and development expenses relates to an increase in functional allocation of fully built up wages of $17,992 to $87,325, an increase of $23,023 to $41,298 in consumption of materials and $38,969 (2019 - $nil) in external engineering consulting.

iv) Sales and marketing expenses decreased by $66,366 to $395,443. During the reporting period there was a decrease of $27,783 to $206,925 that relates to an allocation of fully built up labour costs, a decrease of $22,035 in marketing and advertising expense, and a decrease of $16,784 travel related expenses that mainly relate to travel the Middle East. The changes labour costs within sales and marketing expense relates to the aforementioned temporary employee layoffs and resulting decreases in functional wage allocation.

Other Income (Expenses)

Financing costs of $10,234 (2019 - $5,002) includes interest expense, for both reporting quarters that relates to interest on insurance financing contracts. In addition, interest expense of $6,090 relates to lease liability (i.e., IFRS 16) is included in the current reporting period only.

Financing income of $21,848 (2019 - $25,062) 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 gain of $32,165 (2019 - $36,699) is a result of the translated difference between spot rates and the average for the year of items in the Company's Canadian entity.

Operating Cash Flows

The following table sets out the cash used in operations for the nine months ended May 31, 2020 and 2019:

	Nine months ended	
	May 31, 2020	**May 31, 2019**
Net Loss	$ (680,957)	$ (320,950)
Changes to net loss not including cash		
Amortization and depreciation	284,000	163,417
Impairment to non-current inventory	216,079	-
Share-based payments	-	29,698
Loss on disposal of property, plant and equipment	-	5,420
Interest expense	(10,234)	(5,002)
Impact of foreign translation	(15,299)	(24,956)
Changes to working capital		
Change in unearned revenue	114,776	44,681
Change in inventory	38,350	(74,420)
Change in trade and other payables	19,696	129,272
Interest paid	10,234	5,002
Change in deposits	(6,476)	20,188
Change in prepaid expenses	(85,398)	118,982
Change in trade and other receivables	(174,514)	900
Cash from operating activities	$ (289,743)	$ 92,232

Cash used in operating activities were negatively impacted by the net changes in non-cash working capital items (see Liquidity section on page 16, below).

Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for the nine months ended May 31, 2020 increased by $360,007 to $680,957 (or basic and diluted net loss of $0.0078 per share), compared to the net loss of $320,950 (or basic and diluted net loss of $0.0037 per share) for the comparative period ended May 31, 2019. Excluding the inventory impairment of $216,079, the net loss would have been $464,878 (or the basic and diluted net loss of $0.0053).

The comprehensive loss for the nine months ended May 31, 2020 was $677,467 and was impacted by a foreign translation gain of $3,490 on its foreign, wholly owned, subsidiary in the United States versus the reported comprehensive loss of $318,224 reported in the comparative reporting quarter ended May 31, 2019.

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

The following table sets out the Company's EBITDA loss and EBITDA loss per share for the nine months ended May 31, 2020 and 2019:

	Nine months ended	
	May 31, 2020	**May 31, 2019**
Net loss	$ (680,957)	$ (320,950)
Items not affecting cash		
Amortization and depreciation	284,000	163,417
Interest and tax expense	11,513	5,391
EBITDA	$ (385,444)	$ (152,142)
EBITDA loss per share	$ (0.004)	$ (0.002)

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

The impairment of the inventory in the amount of $216,079, increased the EBITDA loss for the current reporting period and increased EBITDA per share by of $0.002. EBITDA was also impacted by the adoption of IFRS 16 as described elsewhere.

CONSOLIDATED RESULTS – THREE MONTHS ENDED MAY 31, 2020

Revenues

For the third quarter ended May 31, 2020 gross revenues totalled $702,259, decreasing $129,062 over the comparative quarter ended May 31, 2019 that recognized revenues of $831,321. Revenues for the third quarter remained relatively flat decreasing only $3,781 from the second quarter revenues (i.e., three months ended February 29, 2020).

Of the $702,259 in recorded revenues for the third quarter 2020, $693,229 relates to Powerwave stimulations compared to $753,730 in the comparative quarter. Powerwave stimulation revenues for the reporting quarter for the Middle East totalled $619,289 (2019 - $605,575). North American stimulation revenues totalled $30,498 (2019 - $57,311) and remain well

low of expectations in part due to the unrecognized revenues related to the GSA noted above, while Powerwave stimulation in other international regions totalled $43,442 (2019 - $90,843).

Powerwave IOR/EOR projects totalled $nil (2019 - $31,758) and pertains to the sale of IOR/EOR Powerwave systems and is denominated in United States currency.

Geographically, $30,498 (2019 – $95,016) in revenue was generated in North America, $619,289 (2019 - $629,333) in the Middle East, and $52,472 (2019 - $106,972) in other international geographic regions. The geographic revenues are more specifically described as follows:

> **North America**: Revenues in North America decreased by $64,518 to $30,498 compared to $95,016 in the comparative quarter. Powerwave stimulation revenues in North America remained totalled $30,498 (2019 - $57,311) and remaining below expectations in part due to the unrecognized revenues related to the GSA noted above; and Other Technology revenues totalled $nil (2019 - $37,705).
>
> **Middle East**: Revenues in the Middle East remained relatively flat at $619,289 (2019 - $629,333). Powerwave stimulation revenues in the Middle East totalled $619,289 (2019 - $605,575); Powerwave IOR/EOR projects revenues totalled $nil (2019 - $23,543); and Other Technology revenues totalled $nil (2019 - $215).
>
> **Other International**: Revenues outside of North America and the Middle East totalled $52,472 (2019 - $106,972). Powerwave stimulation revenues in other international markets totalled $43,442 (2019 - $90,844); and Other Technology revenues totalled $9,030 (2019 - $7,913).

Costs of Sales

Cost of sales for the third quarter ended May 31, 2020 totalled $50,715 or 7.2% of revenues (May 31, 2019 - $50,281 or 6.0% of revenues). For the two reporting quarters, costs of sales were impacted by:

i) A greater proportion of product revenues being derived from by product streams with no (i.e., license royalty revenues) or little direct costs (i.e., minimal to no direct labour in well modelling, and / or do not require direct labour or inventory for Powerwave tool refurbishing); and

ii) Fewer Powerwave stimulations being modelled and thus, less direct labour being allocated.

Costs of sales associated with all Powerwave stimulations totalled $35,741 (2019 - $26,491) due the recognition of minimum or guaranteed revenues with little or no direct costs as noted above.

Expenses

General and administrative, sales and marketing, research and development, and amortization and depreciation expenses for the third quarter ended May 31, 2020, decreased by $195,351 or 24.3% to $609,254, compared to $804,605 for the quarter ended May 31, 2019.

The changes within general and administrative, amortization and depreciation, sales and marketing, and research and development expenses for the quarter ended May 31, 2020 were principally a result of the following changes:

i) General and administrative expenses decreased by $132,391 or 21.5% (May 31, 2020 - $484,088; May 31, 2019 - $616,479) with the following noted variances:

	Three months ended		
	May 31, 2020	May 31, 2019	Variance
Wages, wage expenses and benefits	$ 257,138	$ 227,411	$ 29,727
Office	100,058	141,811	(41,753)
Professional fees	54,938	45,383	9,555
Public company & listing fees	41,512	102,938	(61,426)
Consultants	19,084	60,295	(41,211)
Repairs and maintenance	12,422	19,650	(7,228)
Vehicle	7,170	12,861	(5,691)
Miscellaneous	43	(34)	77
Share based payments	-	6,198	(6,198)
Bad Debts	(8,277)	(34)	(8,243)
	$ 484,088	$ 616,479	$ (132,391)

Despite temporary employee layoffs in the current reporting quarter, general and administrative functional wage expense increased as less wage expense was allocated to other functional areas (i.e., costs of goods sold, sales and marketing, and research and development) due to less activities in those other function areas.

ii) Amortization and depreciation expense increased by $41,361 to $93,558 from the comparative period. Depreciation and amortization expense were impacted by the adoption of IFRS 16, which required $37,599 in additional depreciation expense on right-of-use assets, and the addition of an intangible asset that increased depreciation and amortization by $1,244.

iii) Research and development expense increased by $12,780 to $56,172. The changes in research and development expenses relates to an increase in functional allocation of fully built up wages of $6,706 to $31,440, and increase of $8,282 (2019 - $nil) in external engineering consulting; offsetting these increase was a decrease in the consumption of materials by $1,576 to $16,449.

v) Sales and marketing expenses decreased by $75,740 to $68,994. During the reporting quarter there was a decrease of $21,477 to $74,804 that relates to an allocation of fully built up labour costs, a decrease of $4,194 in marketing and advertising expense, and a decrease of $50,011 travel related expenses that mainly relate to travel the Middle East.

vi) For the quarter ended May 31, 2020 the Company impaired the $4,114 of raw materials and consumable inventory to the estimated net realizable value at $nil due to obsolescence.

Other Income (Expenses)

Financing costs of $3,013 (2019 - $1,799) includes interest expense, for both reporting quarters that relates to interest on insurance financing contracts. In addition, interest expense of $1,573 relates to lease liability (i.e., IFRS 16) is included in the current reporting quarter only.

Financing income of $7,209 (2019 - $8,449) 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 gain of $34,624 (2019 – $37,933) is a result of the translated difference between spot rates and the average for the year of items in the Company's Canadian entity.

Operating Cash Flows

The following table sets out the cash used in operations for the third quarter ended May 31, 2020 and 2019:

	Three months ended	
	May 31, 2020	**May 31, 2019**
Net Loss	$ (16,562)	$ (31,179)
Changes to net loss not including cash		
Impairment of inventory	4,114	-
Amortization and depreciation	93,558	52,197
Impact of foreign translation	(19,137)	(18,575)
Interest expense	(3,013)	(1,799)
Share-based payments	-	6,198
Loss on disposal of property, plant and equipment	-	4,678
Changes to working capital		
Change in trade and other receivables	243,562	(55,334)
Change in trade and other payables	(137,336)	(24,379)
Change in prepaid expenses	45,851	17,487
Interest paid	3,013	1,799
Change in unearned revenue	40,627	(21,578)
Change in deposits	(6,476)	20,187
Change in inventory	45,436	(42,265)
Cash from operating activities	$ 293,637	$ (92,563)

For the reporting quarter, cash flows from operating activities increased by $386,200 over the comparative quarter and was principally impacted by non-working capital item of trade and other receivables as the Company received payments on receivables from Distributors early in the reporting quarter.

The Company believes that its cash flows from operating activities will continue to fluctuate as it is dependent on its ability to collect larger dollar value receivables, from a limited number of customers, on a timely basis. Although cash management is a high priority of the Company, the collection of these receivables may beyond the control of Wavefront.

Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for the third quarter 2020, i.e., the three months ended May 31, 2020 was $16,562 (or $0.0002 basic and diluted loss per share), an decrease of $14,618, from the comparative quarter ended May 31, 2019, which reported a net loss of $31,180 (or $0.0004 basic and diluted loss per share).

The comprehensive loss for the third quarter 2020 was $13,433 and was impacted by a foreign translation gain of $3,129 on its foreign, wholly owned, subsidiary in the United States versus the reported comprehensive loss of $25,789 reported in the comparative reporting quarter ended May 31, 2019.

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

The following table sets out the Company's EBITDA and EBITDA per share for the third quarters ended May 31, 2020 and 2019:

	Three months ended	
	May 31, 2020	May 31, 2019
Net Loss	$ (16,562)	$ (31,180)
Items not affecting cash		
Amortization and depreciation	93,558	52,197
Interest and tax expense	4,292	1,899
EBITDA	$ 81,288	$ 22,916
EBITDA per share	$ 0.0009	$ 0.0003

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 and Liabilities

Total assets decreased by $440,899 to $3,735,065 from the prior year end, the changes of which principally relates to the decrease of $504,928 in cash and cash equivalents mainly attributed to cash used from operations and delayed receipts from client. Other decreases included $315,858 in property, plant and equipment, which includes $7,431 related to the transfer of IOR/EOR Powerwave tools to inventory for sale, $168,530 amortization and depreciation charges, and the impairment of inventory in the amount of $216,079 (of the inventory impaired, $196,787 was classified as non-current and recorded within the equipment under construction, under the tools and equipment asset segment).

Offsetting the aforementioned decreases were increases in current assets of trade and other receivables of $174,514, and prepaid expenses and other current assets of $85,398. 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 depreciated over the reporting period by $112,767 and the acquisition of intangible assets of $66,175 which was depreciated by $2,703.

The acquisition of intangible assets consists of certain exclusive, irrevocable rights related to Licensed Patents in the Middle East North Africa related to acoustic/ultrasonic well stimulation technologies. In addition to the consideration paid, the Company is required to pay a royalty of twenty-five (25%) percent of its net revenues received in relation to the Licensed Patents. Should the Company not exploit the Licensed Patents during the initial five year period, the patent owner may terminate the rights and agreement, unless the Company remits an additional payment of US $50,000 within 30 days after the 5th anniversary.

Liabilities

Total liabilities increased by $236,568 from the prior year-end to $1,090,418. Of the changes in liabilities, $114,776 relates to an increase in unearned revenue, and $19,696 relates to increases in trade accounts payable and other accrued liabilities. Unearned revenues principally relate to timing difference associated with payments received ahead of revenue recognition, but moreover, the recognition of international tax withholdings differentials by Distributors.

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 payables to its receipt of accounts receivables.

Total liabilities also increased due to the recognition of lease liabilities (as required by IFRS 16) of as at September 1, 2019, with a recorded value of $102,096 as at May 31, 2020. The lease liabilities are reduced through the principal net payment of lease obligation.

Liquidity

The following table presents working capital information as at May 31, 2020 and August 31, 2019:

	As at May 31, 2020	As at August 31, 2019	Change
Current assets	3,045,235	3,340,462	(295,227)
Current liabilities	(1,090,418)	(853,850)	(236,568)
Working capital[1]	1,954,817	2,486,612	(531,795)

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

Working capital also increased by $30,562 from the prior quarter ended February 29, 2020, which reported working capital of $1,924,255.

Changes in working capital relate to the net decreases in cash and cash equivalents (i.e., decreasing $504,928), increases in current liabilities of $236,568 (i.e., increases in unearned revenue of $114,776, increases in trade accounts payable of $19,696, and increases in current lease liabilities of $102,096; the latter of which, is related to the adoption of IFRS 16 effective September 1, 2019), and decreases in inventory of $50,211. Offsetting the aforementioned, were increases in trade and other receivables of $174,514, and increases in prepaid expenses and other current assets of $85,398.

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.

With the abnormal volatility in spot prices for and over supply of oil and gas, and the COVID-19 pandemic, the Company has experienced longer delays in realizing on its receivables, which, despite decreased revenues, has resulted in increases in trade and other receivables, and thus, a corresponding decrease in cash resources. The net impact of these actions are seen in the changes to working capital since fiscal 2019 year end.

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. However, 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 reviews the credit quality of its counterparties.

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. Also see the discussion on Financings and Capital Resources for expanded discussions impacting liquidity.

Financings

There were no financings during the reporting or the comparative period. Given the Company's stage of development, the subsequent, abnormal volatility in spot prices for oil and gas, the COVID-19 pandemic, 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.

As government sponsored programs resulting from COVID-19 become available, the Company will endeavor to access those resources to ensure that the capital resource objectives noted below can be met.

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:

- 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.

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.

As of July 27, 2020, Wavefront had $1,668,944 of cash and cash equivalents on hand. Of the cash on hand, Wavefront has $1,613,846 in high interest savings accounts with annualized interest rate of 1.70%. Cash on hand as at July 27, 2020 was negatively impacted by the delayed receipt of monies owed by some larger clients, thereby increasing receivables and decreasing cash resources.

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

At May 31, 2020, the Company had yet to achieve profitable operations, had an accumulated deficit of $75,106,451 (August 31, 2019 - $74,425,494), and for the year to date period ended May 31, 2020, had a net loss of $680,957 (May 31, 2019 - $320,950). The recent abnormal decline in spot prices for oil, as well as, the impact of COVID-19, has created material uncertainties that together with the lack of continuing profitable operations may cast significant doubt to continue as a going concern. Whether and when the Company can obtain profitability and positive cash flows from operations for the next twelve months is uncertain.

The Company, however, currently has a positive working capital of $1,954,817 (August 31, 2019 - $2,486,612), which is greater than the past twelve month's cash used in operations. Additionally, the Company had net cash increases of $250,567 for the third quarter 2020, and a net cash increase of $10,832 in fiscal 2019.

It is currently believed, that material uncertainties related to events or conditions, resulted in significant declines in global stock markets and 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 customer, creates material uncertainties in the near term, and may impact Wavefront's abilities to generate revenue and collect on amounts when due.

Given the Company's priority of sustainability, 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, 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	$ 70,079	$ 70,079	$ -	$ -	$ -
Lease liabilities	104,000	104,000	-	-	-
	$ 174,079	$ 174,079	$ -	$ -	$ -

Note 1: In a prior year, the Company entered into an 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.

Note 2: Subsequent to the reporting period the Company entered into a lease extension and amending agreement for the office and warehouse location in Edmonton, Alberta. The term of the lease will be extended for a further five years, commencing February 1, 2021 and expiring January 31, 2026. For the five year lease extension, the total estimated commitments and variable lease payments are estimated to be $303,550, with the future lease liabilities estimated at $591,175.

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 and nine months ended May 31, 2020, the Company recorded $nil (May 31, 2019 – $nil and $6,634, respectively) in consulting expense, with $nil (August 31, 2018 - $nil) included in accounts payable and accrued liabilities. Effective September 30, 2018, the Consulting Agreement was terminated.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

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.

Economic Dependence and Reliance on Few Customers or Distributors – The Company currently has a high customer concentration in that revenue of top three customers currently comprises 93.4% of total revenues. Although the high concentration allows the ability to develop long-term relationships with fewer larger customers, contractual agreements that can be tailored to each client, and customer service can be focused on fewer clients; however, the high customer concentration carries risks related to operations, revenue generation and fluctuations, and cash flow dependence, especially the stage of Wavefront's commercialization. The ability to diversify customer dependence has also been impacted by COVID-19. The Company is endeavoring to mitigate such risks by having multiple Distributors in some of its focused geographic markets; however, there is no assurance such efforts will be successful.

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 that they receive financial benefits to offset their commitments, there is no assurance that they will receive the desired benefit and that such agreements will not be cancelled or extended beyond the initial term.

COVID-19 and Other Pandemics – The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises.

The extent to which pandemics, such as the March 11, 2020 World Health Organization's declaration of the COVID-19 pandemic, impacts the Company's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time. These include the duration, severity and scope of the outbreak and the actions taken to contain or treat the COVID-19 outbreak. While these effects are expected to be temporary, the duration of the business disruptions and the related financial impact cannot be reasonably estimated at this time. Such public health crises can result in volatility and disruptions in the supply and demand for oil and natural gas, global supply chains, international trade relations, subject the Company and its distributors to additional government regulations and restrictions, availability of parts and / or inventory may impact the ability to refurbish or supply Powerwave tools, and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk and inflation. In particular, oil prices have significantly weakened in response to the outbreak of COVID-19. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition. There can be no assurance that the Company's personnel will not be impacted by COVID-19 and ultimately see its workforce productivity reduced or incur increased medical and related costs as a result of these health risks. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines. There can be no assurance that this virus or another infectious illness will not impact the Company's personnel and ultimately its operations.

Weakness and Volatility in Oil and Gas Industry – Weakness and volatility in the market conditions in the oil and gas industry may affect the Company's revenues and restrict its cash flow and ability to access capital to fund operations. Recent market events and conditions, including global excess oil and natural gas supply, recent actions taken by the Organization of the Petroleum Exporting Countries ("OPEC"), sanctions against Iran and Venezuela, slowing growth in China and emerging economies, weakening global relationships, conflicts between the U.S. and Iran, isolationist and punitive trade policies of, and increased U.S. shale production, sovereign debt levels and political upheavals in various countries including growing anti-fossil fuel sentiment, have caused significant weakness and volatility in commodity prices. These difficulties have been exacerbated by the ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by both equity and/or debt financing more difficult.

If these conditions persist, the Company is subject to liquidity risks in meeting its future operating expenditures, to satisfy its obligations when due and its ability to continue as a going concern in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors are likely to have a negative impact on the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company. There can be no assurance that such equity or debt financing will be available on terms that are satisfactory or at all.

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 below and 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 third quarter ended May 31, 2020.

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 93.4% of total revenues; however, the majority of transactions are with publicly traded corporations or larger oil field service companies dispersed across geographic areas.

Credit risk, with respect to accounts receivables may be mitigated 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.

	3rd Qtr May 31 '20	2nd Qtr Feb 29 '20	1st Qtr Nov 30 '19	4th Qtr Aug 31 '19
Revenue	$ 702,259	$ 706,040	$ 700,685	$ 960,356
Net Loss	$ (16,562)	$ (419,612)	$ (244,782)	$ (112,539)
Basic and diluted loss per share	$ (0.0002)	$ (0.005)	$ (0.003)	$ (0.001)
Common shares outstanding				
Weighted average shares outstanding	87,572,573	87,572,573	87,572,573	87,540,244

	3rd Qtr May 31 '19	2nd Qtr Feb 28 '19	1st Qtr Nov 30 '18	4th Qtr Aug 31 '18
Revenue	$ 831,321	$ 894,887	$ 943,753	$ 956,626
Net Loss	$ (31,180)	$ (243,823)	$ (45,947)	$ (497,456)
Basic and diluted loss per share	$ (0.0004)	$ (0.0028)	$ (0.001)	$ (0.006)
Common shares outstanding				
Weighted average shares outstanding	87,529,350	87,507,380	87,442,903	83,530,011

Note 1: All amounts in Canadian dollars except share data

DESCRIPTION OF SHARE CAPITAL

As at May 31, 2020, 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	1,975,000	
		6,316,333
Fully diluted share capital:		93,888,906

As at July 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.

Warrants outstanding

As at May 31, 2020

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

Subsequent to the reporting period, the Company agreed to the re-pricing and extension of the term of certain share purchase warrants ("Warrants") issued on July 17, 2018. The Company agreed to extend the term of the 4,341,333 Warrants one additional year to July 17, 2021, and to decrease the exercise price of 3,712,592 of those Warrants from $0.45 to $0.20 per share.

Consistent with the policies of the Exchange, the amended Warrants that are repriced will include an accelerated expiry clause such that their exercise period will be reduced to 30 days if, for any ten consecutive trading days during their unexpired term, the closing trading price of the common shares of the Company exceeds $0.25 per share.

Also consistent with the policies of the Exchange, the Warrant re-pricing and extension apply to 3,712,592 Warrants of the 4,341,333 Warrants originally issued on July 17, 2018, while the Warrant extension, with no reduction in the original $0.45 exercise price will, apply to the remaining 628,741 Warrants to investors.

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 May 31, 2020

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share $
August 4, 2016	August 4, 2026	1,900,000	0.28
January 6, 2017	January 6, 2027	75,000	0.35
		1,975,000	

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.

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.*

The forward-looking statements contained herein represent Wavefront's expectations at July 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).