

*Consolidated Financial Statements of*

# **WAVEFRONT TECHNOLOGY SOLUTIONS INC.**

*August 31, 2021 and 2020*

## **TABLE OF CONTENTS**

### **CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated statements of financial position	1
Consolidated statements of net loss and comprehensive loss	2
Consolidated statements of changes in shareholders' equity	3
Consolidated statements of cash flows	4

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Note 1	Nature of operations and corporate information	5
Note 2	Basis of presentation and going concern	5
Note 3	Significant accounting policies	6
Note 4	Changes in accounting polices and new accounting standards issued but not yet adopted	15
Note 5	Critical accounting estimates and judgements	16
Note 6	Impairment	18
Note 7	Cash and cash equivalents	18
Note 8	Property, plant and equipment	18
Note 9	Right-of-use assets and lease liabilities	20
Note 10	Intangible assets	21
Note 11	Share capital	22
Note 12	Expenses by nature	25
Note 13	Government assistance	26
Note 14	Income taxes	26
Note 15	Loss per share	28
Note 16	Capital management	29
Note 17	Financial instruments	30
Note 18	Commitments and guarantees	34
Note 19	Segmented information and significant customers	34
Note 20	Subsequent events	35

## Independent Auditor's Report

To the Shareholders and the Board of Directors of Wavefront Technology Solutions Inc.

### Opinion

We have audited the consolidated financial statements of Wavefront Technology Solutions Inc., (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated statements of net loss and comprehensive loss, changes in shareholders equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss of \$1,374,357 during the year ended August 31, 2021 and has a net decrease in cash and cash equivalents of \$615,778. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Langlois.

*Deloitte LLP*

Chartered Professional Accountants  
Calgary, Alberta  
December 6, 2021

**WAVEFRONT TECHNOLOGY SOLUTIONS INC.**  
**Consolidated Statements of Financial Position**  
**As at August 31, 2021, and 2020**  
**(Canadian dollars)**

	Note	August 31, 2021	August 31, 2020
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	7	\$ 1,201,893	\$ 1,817,671
Trade and other receivables	17	193,604	764,629
Inventories		52,428	90,859
Prepaid expenses and other current assets		58,855	74,429
<b>TOTAL CURRENT ASSETS</b>		<b>1,506,780</b>	<b>2,747,588</b>
NON-CURRENT ASSETS			
Deposits		14,150	14,150
Property, plant and equipment	8	439,631	484,883
Right-of-use assets	9	459,929	62,648
Intangible assets	6, 10	-	62,229
<b>TOTAL ASSETS</b>		<b>\$ 2,420,490</b>	<b>\$ 3,371,498</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
CURRENT LIABILITIES			
Unearned revenue		78,041	79,639
Trade accounts payable and accrued liabilities	17	490,985	564,911
Lease liabilities	9	97,248	64,203
<b>TOTAL CURRENT LIABILITIES</b>		<b>666,274</b>	<b>708,753</b>
NON-CURRENT LIABILITIES			
Other accrued liabilities		20,268	-
Lease liabilities	9	398,481	-
<b>TOTAL LIABILITIES</b>		<b>\$ 1,085,023</b>	<b>\$ 708,753</b>
SHAREHOLDERS' EQUITY			
Share capital	11 b	67,299,083	67,299,083
Warrants	11 c	467,716	467,716
Contributed surplus	11 e	9,463,336	9,414,471
Accumulated other comprehensive income		565,366	567,152
Deficit		(76,460,034)	(75,085,677)
		1,335,467	2,662,745
		(2,420,490)	(3,371,498)

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

APPROVED BY THE BOARD

"Brett Davidson" (signed) Director

"Dennis Minano" (signed) Director

**WAVEFRONT TECHNOLOGY SOLUTIONS INC.**  
**Consolidated Statements of Net Loss and Comprehensive Loss**  
**Years ended August 31, 2021 and 2020**  
**(Canadian dollars)**

	Note	August 31, 2021	August 31, 2020
Revenue		\$ 1,605,742	\$ 2,804,457
Cost of sales	12	74,967	119,855
<b>Gross Profit</b>		<b>1,530,775</b>	<b>2,684,602</b>
Gain on disposal of property, plant and equipment	8	(9,052)	-
Impairment	6, 10	59,976	216,079
General and administrative		2,275,373	2,233,208
Sales and marketing		449,347	460,780
Amortization and depreciation	8, 9, 10	269,857	370,528
Research and development		110,482	210,902
	12	3,155,983	3,491,497
<b>OPERATING LOSS</b>		<b>(1,625,208)</b>	<b>(806,895)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Financing costs		(18,413)	(12,296)
Government grants	13	268,468	147,864
Financing income		17,180	24,119
Foreign exchange loss		(16,384)	(12,975)
		250,851	146,712
<b>NET LOSS</b>		<b>(1,374,357)</b>	<b>(660,183)</b>
<b>OTHER COMPREHENSIVE INCOME GAIN (LOSS)</b>			
Items that may be reclassified subsequently to net loss			
Translation gain (loss) on foreign operations		(1,786)	814
<b>COMPREHENSIVE LOSS</b>		<b>\$ (1,376,143)</b>	<b>\$ (659,369)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>			
Basic and diluted	15	87,572,573	87,572,573
<b>LOSS PER COMMON SHARE</b>			
Basic and diluted	15	\$ (0.016)	\$ (0.008)

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

**WAVEFRONT TECHNOLOGY SOLUTIONS INC.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**Years ended August 31, 2021 and 2020**  
**(Canadian dollars)**

	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive (loss) income	Deficit	Total
<b>Balance at August 31, 2019</b>	67,299,083	467,716	9,414,471	566,338	(74,425,494)	\$ 3,322,114
Net Loss	-	-	-	-	(660,183)	(660,183)
Translation gain on foreign operations	-	-	-	814	-	814
<b>Balance at August 31, 2020</b>	67,299,083	467,716	9,414,471	567,152	(75,085,677)	2,662,745
Net Loss	-	-	-	-	(1,374,357)	(1,374,357)
Share-based payments	-	-	48,865	-	-	48,865
Translation loss on foreign operations	-	-	-	(1,786)	-	(1,786)
<b>Balance at August 31, 2021</b>	\$ 67,299,083	\$ 467,716	\$ 9,463,336	\$ 565,366	\$ (76,460,034)	\$ 1,335,467

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

**WAVEFRONT TECHNOLOGY SOLUTIONS INC.**  
**Consolidated Statements of Cash Flows**  
**Years ended August 31, 2021 and 2020**  
**(Canadian dollars)**

	Note	August 31, 2021	August 31, 2020
<b>OPERATING ACTIVITIES</b>			
Net loss		\$ (1,374,357)	\$ (660,183)
Changes to net loss not involving cash			
Amortization and depreciation	8, 9, 10	269,857	370,528
Impairment	6, 10	59,976	216,079
Share-based payments	11 d	48,865	-
Impact of foreign translation		9,051	1,226
Gain on disposal of property, plant and equipment, and inventory		(9,052)	-
Interest expense		18,413	12,296
Changes to working capital			
Change in trade and other receivables		571,025	(169,901)
Change in inventory		38,431	4,493
Change in prepaid expenses		15,574	(34,068)
Change in unearned revenue		(1,598)	(185,460)
Interest paid		(18,413)	(12,296)
Change in trade accounts payable and accrued liabilities		(83,318)	(23,839)
Cash used in operating activities		(455,546)	(481,125)
<b>FINANCING ACTIVITIES</b>			
Payment for the principal portion of lease liability	9	(89,149)	(148,802)
Cash used in financing activities		(89,149)	(148,802)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	8	(75,095)	(84,485)
Proceeds on disposal of property, plant and equipment	8	13,832	-
Purchase of intangible assets		-	(66,175)
Cash used in investing activities		(61,263)	(150,660)
Foreign exchange gain (loss) on cash held in foreign currency		(9,820)	98
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		(615,778)	(780,489)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>			
		1,817,671	2,598,160
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>			
		\$ 1,201,893	\$ 1,817,671
<b>CASH AND CASH EQUIVALENTS</b>			
Cash denominated in CDN		\$ 869,954	\$ 1,524,768
Cash denominated in USD		263,089	224,585
Foreign currency translation amount		68,850	68,318
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>			
		\$ 1,201,893	\$ 1,817,671

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



# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### 1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Wavefront Technology Solutions Inc.'s ("Wavefront" or the "Company") is a technology service provider offering the oil and gas industry revolutionary technologies that optimize oil and gas well stimulation, workovers and cleanouts, and applications related to Improved/Enhanced Oil ("IOR/EOR") recovery, and marketed under the brand name, "Powerwave™". Wavefront operates in the global marketplace dealing directly with E&P companies, and through a network of international distributors and agents.

The Company is incorporated under the Canada Business Corporations Act. Its shares are listed on the TSX Venture Exchange under the symbol of WEE, and also trades on the OTCQB International under the symbol of WFTSF.

The address of the registered head office of the Company is 5621 – 70 Street NW, Edmonton, Alberta. The Company is domiciled in Canada.

### 2. BASIS OF PRESENTATION AND GOING CONCERN

#### *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized by the Board of Directors on December 6, 2021.

#### *Going concern*

These consolidated financial statements were prepared on a going concern basis. The going concern basis of accounting assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

At August 31, 2021, the Company had yet to achieve profitable operations, had an accumulated deficit of \$76,460,034 (August 31, 2020 - \$75,085,677), and for the fiscal year ended August 31, 2021 had a net loss of \$1,374,357 (August 31, 2020 - \$660,183) and a net decrease in cash and cash equivalents of \$615,778 (August 31, 2020 – a net decrease of \$780,489). It is unclear whether and when the Company can obtain profitability and positive cash flows from operations. These events and conditions form a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern.

The Company currently has working capital of \$840,506 (August 31, 2020 - \$2,038,835).

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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Although the Company has commenced certain expenditure curtailment to reduce monthly cash consumption, the Company, in accordance with its strategic plan, is currently consuming cash resources at a rate in excess of its operational cash inflow. As such, the Company's ability to continue as a going concern is dependent on obtaining additional capital investment, the realization of assets, the further achievement of successful commercialization of its technologies and the improvement of cash flows from operations. Note 17 provides a more detailed description of the liquidity risk. Notes 11 and 20 disclose that the Company has obtained subsequent gross proceeds of \$687,518 from share purchase warrant exercises and secured a subsequent \$12,000,000 equity facility ("Facility"), respectively. There can be no assurance that the Facility may not be cancelled or that the Company will be successful in raising additional capital, realizing assets, discharging liabilities or generating sufficient cash flows from operations to continue as a going concern.

These consolidated financial statements do not reflect the adjustments that might be necessary to the carrying amount of the reported assets, liabilities, revenues and expenses, and balance sheet classifications used if the Company was unable to continue operations in accordance with this assumption. Such adjustments may be material.

### *Functional and presentation currency*

These consolidated financial statements are presented in Canadian dollars, the Company's functional currency, as that is the currency of the primary economic environment in which the Company operates.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These accounting policies have been applied consistently by the Company and the entity controlled by the Company.

### *Basis of measurement*

The consolidated financial statements were prepared on a going concern basis, under the historical cost basis, unless otherwise stated in the significant accounting policies or changes in accounting policies.

### *Principles of consolidation*

These consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its wholly owned subsidiary, Wavefront Technology Solutions USA Inc.). Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Although the Company is domiciled in Canada, the Company's principal focus is on international operations, and as such revenue generation is mainly outside Canada. Revenues derived in Canada for the year ended August 31, 2021 was \$nil (August 31, 2020 - \$187,852).

The financial statements of the Company's subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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The Company's subsidiary company is wholly-owned and inter-company transactions, balances, revenues, expenses and unrealized gains and losses have been eliminated on consolidation.

### *Foreign currency translation*

#### Translation of foreign entity

The functional currency of the Company's foreign subsidiary is the U.S. dollar which is the currency of the primary economic environment in which it operates. Assets and liabilities of the U.S. subsidiary are translated into Canadian dollars at the closing rate at the date of the statement of financial position. Revenues and expenses are translated at the average rate for the period. Gains or losses on translation of foreign operations are recognized in other comprehensive income (loss) as cumulative translation adjustments.

#### Translation of transactions and balances

Foreign currency transactions are translated into Canadian dollars by applying exchange rates in effect at the transaction date. At each reporting period end, assets and liabilities denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing on that date. Gains and losses on exchange differences are recognized in the statement of net loss.

### *Cash and cash equivalents*

Cash and cash equivalents are comprised of cash on deposit, net of cheques issued in excess of cash on deposit, and unrestricted investments. Unrestricted investments are comprised of short-term deposits with a maturity of three months or less.

### *Inventories*

Inventories are recorded at the lower of cost, as determined on weighted average basis, and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Where necessary, the carrying amounts of inventories are adjusted for obsolete, slow-moving and defective inventories. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

During the year ended August 31, 2021 inventories consumed and included in cost of sales amounted to \$2,802 (August 31, 2020 - \$58,982).

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### *Property, plant and equipment*

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction costs, any costs directly attributable to bringing the asset into operation, the initial decommissioning provision, and borrowing costs for qualified assets. The purchase price or construction cost is the aggregate amount paid and the fair value of any consideration given to acquire the asset. The cost of self-constructed assets includes the costs of materials and direct labour.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized and included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, when the assets are available for use. The estimated useful lives and related depreciation methods are:

Tools and equipment	20% to 100% declining balance
Computer equipment	30% declining balance
Automotive equipment	30% declining balance
Office equipment	20% declining balance
Leasehold improvements	Straight line over the term of the lease
Right-of-use-assets	Straight line over the term of the lease

Where components of an item of property, plant and equipment, meeting the recognition criteria of an asset, have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets are assessed for impairment for each reporting period. If an indicator of impairment is present, an impairment test is performed by comparing the carrying value of the asset to its recoverable amount based on the higher of value in use ("VIU") or fair value less costs to sell ("FVLCS").

The gain or loss on disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognized in profit or loss in the period the asset is derecognized.

### *Leases*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as cell phones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Lease payments include fixed payments, variable payments that are based on an index or a rate, and other factors as prescribed under IFRS 16.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Company did not make any such adjustments during the periods presented.

The Company amortizes the right-of-use asset as operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the pattern in which the economic benefits will be consumed.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36, *Impairment of Assets*, to determine whether the right-of-use asset is impaired.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'general and administrative' expenses in the consolidated statement of net loss and comprehensive loss.

When assessing the lease term, Management will consider all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. This judgment is based on factors such as contract rates compared to market rates, economic reasons,

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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significance of leasehold improvements, termination and relocation costs, installation of specialized assets, residual value guarantees, and any sublease term(s).

### *Share-based payments*

The Company has an equity-settled share-based payment plan for certain employees and others providing similar services as described in Note 11(d). The fair value of a stock option is calculated at the date of grant and is expensed over the vesting period of those stock options with a corresponding entry to contributed surplus. The Company uses the Black-Scholes model to calculate the fair value of stock options issued, which requires certain assumptions be made at the time the stock options are awarded, including the expected life of the stock option, the expected number of granted stock options that will vest, and the expected future volatility of the stock. The fair value of stock options is only re-measured if there is a modification to the terms of the stock options, such as a change in exercise price or legal life.

Any consideration paid by stock option holders for the purchase of stock, together with any amount previously recognized in contributed surplus are credited to share capital. If plan entitlements are repurchased from the holder, the consideration paid is charged to equity. The Company has no cash-settled instruments.

### *Employee benefits*

The costs of all short-term employee benefits are measured on an undiscounted basis and are expensed during the period in which the employee renders the related service. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

### *Reclassification of comparative figures*

Certain figures in the comparative period within in Note 12 totaling \$19,807 have been reclassified to conform to the current period's presentation. Since the amounts are reclassifications within the statement of financial position there was no impact to equity.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### *Income taxes*

The Company follows the liability method of accounting for income taxes.

Under this method, deferred tax is recognized on any temporary difference between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable earnings.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive earnings (loss) or in equity, depending on the item to which the adjustment relates.

Deferred tax is recognized on temporary differences arising from investments in subsidiaries, except in the case where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or the initial recognition of other assets and liabilities in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting net earnings nor taxable earnings.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Company intends to settle its current tax assets and liabilities on a net basis or the tax assets and liabilities will be realized simultaneously.

The Company recognizes income tax benefits or liabilities related to uncertain tax positions to the extent they are more likely than not to be realized or settled.

### *Share capital*

Common shares are classified as equity. Equity instruments issued by the Company are recorded at proceeds received net of direct issuance costs.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### *Revenue recognition*

The Company generates revenue from bundled tool rentals and technology licensing contracts in which goods and/or services are typically provided over time. Revenue is measured based on the consideration the Company expects to be entitled to in exchange for providing goods and services, excluding discounts, distributor fees, and any duty and taxes collected from clients that are reimbursable or remitted directly by clients to government authorities.

In providing its tools and technology, the Company may engage distributors or agents. When the Company engages distributor or agents, in general, they control the specific good or service before it is transferred to the end user or E&P companies; in such cases, Wavefront recognizes revenue in the net amount. The Company also may act as a principal in its contracts directly with the end user or E&P companies, as it controls the specific good or service before it is transferred to the customer. The Company, however, assesses all contracts individually as to whether it is acting as a principal or agent, except where those contracts are assessed in portfolio types, based on similarity of characteristics and time of entering into agreements.

Most all of the Company's contracts include a single performance obligation because the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and therefore is not distinct.

The Company transfers control of the goods or service it provides to clients over time and therefore recognizes revenue progressively as the services are performed or over the licensed term. When the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered. Provisions for estimated losses on contracts are made in the period that the losses are determined.

The timing of revenue recognition, billings, and cash collections results in trade and other receivables, unbilled receivables, prepaid expenses (contract assets), and unearned revenue (contract liabilities) in the statement of financial position. Amounts are typically invoiced upon the conclusion of the services provided and the licensed term or as work progresses in accordance with agreed-upon contractual terms, at periodic intervals. Trade and other receivables represent amounts currently due from customers, consisting of invoiced amounts, and unbilled services and licenses that have not yet been invoiced to clients. Prepaid expenses (contract assets) represent amounts that are paid in advance of the provision of services and license to the client. Amortization of prepaid expenses (contract assets) is included in costs of sales in the consolidated statements of net loss and comprehensive loss. Unearned revenue (contract liabilities) represents amounts that have been paid by clients in excess of revenue recognized, or amounts paid by clients in excess of estimated taxes that are either reimbursable or to clients for payment to government authorities. Unearned revenue, which was included in the contract liability balance at the beginning of the fiscal year, that was recognized in the year ended August 31, 2021 was \$59,930 (August 31, 2020 - \$235,024).

Revenue is adjusted for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Advance payments and holdbacks typically do not result in a significant financing component because the intent is to provide protection against the failure of one party to adequately complete some or all of its obligations under the contract.



# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### *Change orders*

Under IFRS 15, change orders are included in estimated revenue when management believes the Company has an enforceable right to the change order or claim, the amount can be estimated reliably, and realization is highly probable. To evaluate these criteria, management considers the tool rental and licensing term, the contractual or legal basis for any change in revenue, and the history of any negotiations for similar contracts.

### *Significant financing component*

Under IFRS 15, *Revenue From Contracts With Customers*, the Company will assess the existence of a significant financing component regardless of whether promised financing by the Company (i.e., delayed payment of consideration or financing costs) or the customer (i.e., early or pre-payment of consideration or finance income) is explicitly stated in the contract. The Company has assessed all potential contracts and determined that only one potential contract contains a financing component of \$6,105 (August 31, 2020 - \$nil).

### *Prepaid expenses*

Under IFRS 15, expenses will be deferred when they relate directly to the contract or an anticipated contract and when they generate or enhance Company resources that will be used to satisfy performance obligations in the future. Prepaid expenses are typically amortized over the tool rental and licensing term using the percentage of completion applied to estimated revenue.

### *Government assistance*

In response to COVID-19, governments have established various programs to assist companies through this period of uncertainty, like the implementation of the Canada Emergency Wage Subsidy (“CEWS”) and Canada Emergency Rent Subsidy (“CERS”) programs. Management has determined that the Company qualified for certain Canadian programs and recognizes such government grants when there is reasonable assurance that the assistance will be received and that there are no unfulfilled conditions and other contingencies attaching to government assistance.

Under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, the Company has recognized grants from CEWS and CERS from the Government of Canada and is recorded as an Other Income item.

### *Impairment*

The carrying amounts of the Company’s assets or group of assets are reviewed at each reporting date to determine whether there is an indication of impairment. An asset may be impaired if objective evidence of impairment exists because of one or more events that have occurred after the initial recognition of the asset (referred to as a “loss event”) and if that loss event has an impact on the estimated future cash flows of the asset. When an indication of impairment exists, the asset’s recoverable amount is estimated.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### Financial assets

The Company recognizes a loss allowance for expected credit losses (“ECL”s) on financial assets and contract assets based on a 12-month ECL or lifetime ECL. The lifetime ECL (the simplified approach) is applied to trade and other receivables, unbilled receivables, and contract assets. 12-month ECLs are recorded against all other financial assets, unless credit risk has significantly increased since initial recognition, then the ECL is measured at the lifetime ECL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The loss allowance provision is based on the Company’s historical collection and loss experience and incorporates forward-looking factors, where appropriate. When the carrying amount of financial assets or contract assets is reduced through an ECL allowance, the reduction is recognized in general and administrative expenses in the consolidated statements of net loss and comprehensive loss.

### Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than inventories and deferred tax assets for which separate processes apply, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For intangible assets that have an indefinite useful life or intangible assets that are not yet available for use, the recoverable amount is estimated each year in the fourth quarter.

The recoverable amount of an asset or cash-generating unit (“CGU”) is the greater of its value in use, and its fair value less costs to sell. In assessing 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 CGU.

The Company’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

### *Segment reporting*

An operating segment is a component of the Company that engages in business activities from which it may earn revenues or incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components. Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance, and for which discrete financial information is available.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### *Income (loss) per share*

The Company presents basic and diluted income (loss) per share (“EPS”) for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to the common shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for the Company’s own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to the common shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential common shares, including share warrants and share options granted to employees and directors.

The average market value of the Company’s shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

#### **4. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED**

##### *a) Changes in accounting policies*

The following standards, that are applicable to the Company, have been adopted for the first time effective September 1, 2020:

##### Presentation of Financial Statements (“IAS 1”)

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1, *First-time Adoption of International Financial Reporting Standards*). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

In May 2020, the IASB issued *Onerous Contracts-Cost of Fulfilling a Contract* (Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify which costs to include in assessing whether a contract is onerous. The amendments are effective January 1, 2022, with earlier application permitted.

##### *b) New standards issued but not adopted*

The following are the standards, amendments, and interpretations that the Company reasonably expects to be applicable at a future date and intends to adopt when they become effective. The Company is currently considering the impact of adopting these standards, amendments, and interpretations on its consolidated financial statements and cannot reasonably estimate the effect at this time, unless specifically mentioned below.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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- (i) In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies. The amendments are effective for annual reporting periods beginning or after January 1, 2023, with earlier application permitted.
- (ii) In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2). The amendments provide guidance to help entities disclose the material (previously “significant”) accounting policies. The amendments are effective for annual reporting periods beginning or after January 1, 2023, with earlier adoption permitted.
- (iii) In April 2021, the IFRS Interpretations Committee (“IFRIC”) issued an agenda decision on the treatment of configuration and customization costs associated with cloud computing arrangements where the underlying software is not recognized as an intangible asset. The decision concluded that these costs may be capitalized as a separate intangible asset if they meet both the definition of an intangible asset and the recognition criteria in IAS 38, *Intangible Assets*. When these costs do not qualify for separate recognition as an intangible asset and not distinct from the software, these costs are expensed over the term of the software contract as provided.
- (iv) In May 2021, the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12, *Income Taxes*). The amendments narrow the scope of the recognition exemption so that companies would be required to recognize deferred tax for transactions that give rise to equal amounts of taxable and deductible temporary differences, such as leases. The amendments are effective for annual reporting periods beginning or after January 1, 2023, with earlier adoption permitted, applied retroactively.

The Company is currently considering the impact of adopting these standards, amendments, and interpretations on its consolidated financial statements.

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are as follows:

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### Impairment of non-financial assets

The Company assesses the carrying value of non-financial assets subject to depreciation and amortization at each reporting date to determine whether there are any indicators that the carrying amounts of the assets may be impaired. The Company follows IAS 36 to determine if there are impairment indicators. This determination requires significant judgement.

The recoverable amounts of cash-generating units have been determined based on the value-in-use calculations or fair value less costs to disposal.

The Company assessed impairment indicators for the Powerwave CGU as at August 31, 2021 and determined that indicators of impairment were present (see Note 6).

### Valuation of equity compensation benefits

Management classifies its share-based payment scheme as an equity-settled scheme based on the assessment of its role and that of the employees and brokerage firm in the transaction. The critical assumptions as used in the valuation model are detailed in Note 11 (d).

### Leases

The Company accounts for leases in accordance with IFRS 16 Leases, which requires judgments to be made in determining the incremental borrowing rate (“IBR”). The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the lease asset in a similar economic environment. The Company estimates the incremental borrowing rate based on the lease term, and the economic environment in which the lease is denominated.

### Valuation of accounts receivable

Management assesses the collectability of accounts receivable on a monthly basis. Specific provisions are applied based on judgements regarding the status of each project.

### Useful lives of long-lived assets

The Company regularly reviews the estimated useful lives of long-lived assets at the end of each reporting period. These assessments rely on judgements and assumptions based on historical experience with similar assets as well as anticipated technology changes.

### Going Concern

The Company regularly reviews and makes an assessment of its ability to continue as a going concern. This assessment relies on significant judgements and assumptions, and taking into account all known future information.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### 6. IMPAIRMENT

The Company recorded impairment expense during the year ended August 31, 2021 - \$59,976 (August 31, 2020 - \$216,079) related to the obsolescence or functionality assessment of specific assets within the Powerwave CGU (see Note 8 and 10).

Other than the aforementioned impairment of specific Powerwave CGU assets, as at August 31, 2021, the Company concluded that no indicators of impairment were present.

### 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	August 31, 2021	August 31, 2020
Cash	\$ 365,471	\$ 405,576
Unrestricted investments	836,422	1,412,095
	<u>\$ 1,201,893</u>	<u>\$ 1,817,671</u>

Unrestricted investments consist of a high interest savings account with annualized interest rate of 1.70% (August 31, 2020 – 1.70%).

### 8. PROPERTY, PLANT AND EQUIPMENT

Year ended August 31, 2021	Tools and equipment	Computer, automotive and office equipment	Leasehold improvements	Total
<b>Cost</b>				
Balance at August 31, 2020	3,247,524	807,314	591,147	\$ 4,645,985
Additions	73,600	1,496	29,660	104,756
Disposal	-	(75,275)	-	(75,275)
Impairment	(6,208)	-	-	(6,208)
Impact of foreign translation	(6,359)	(5,705)	-	(12,064)
	<u>3,308,557</u>	<u>727,830</u>	<u>620,807</u>	<u>4,657,194</u>

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

Year ended August 31, 2021	Tools and equipment	Computer, automotive and office equipment	Leasehold improvements	Total
<b>Accumulated depreciation and impairment</b>				
Balance at August 31, 2020	(2,835,366)	(768,181)	(557,555)	(4,161,102)
Additions	(96,549)	(9,410)	(36,788)	(142,747)
Disposal	-	70,472	-	70,472
Impairment	4,745	-	-	4,745
Impact of foreign translation	5,746	5,323	-	11,069
Balance at August 31, 2021	(2,921,424)	(701,796)	(594,343)	(4,217,563)
<b>Net book value</b>				
Balance at August 31, 2021	\$ 387,133	\$ 26,034	\$ 26,464	\$ 439,631

Year ended August 31, 2020	Tools and equipment	Computer, automotive and office equipment	Leasehold improvements	Total
<b>Cost</b>				
Balance at August 31, 2019	3,411,429	797,377	591,147	\$ 4,799,953
Additions	71,153	13,332	-	84,485
Reclassifications	(34,492)	-	-	(34,492)
Impairment	(196,787)	-	-	(196,787)
Impact of foreign translation	(3,779)	(3,395)	-	(7,174)
Balance at August 31, 2020	3,247,524	807,314	591,147	4,645,985
<b>Accumulated depreciation and impairment</b>				
Balance at August 31, 2019	(2,763,238)	(715,141)	(500,222)	(3,978,601)
Additions	(102,628)	(56,264)	(57,333)	(216,225)
Reclassifications	27,061	-	-	27,061
Impact of foreign translation	3,439	3,224	-	6,663
Balance at August 31, 2020	(2,835,366)	(768,181)	(557,555)	(4,161,102)
<b>Net book value</b>				
Balance at August 31, 2020	\$ 412,158	\$ 39,133	\$ 33,592	\$ 484,883

Amortization expense for the year ended August 31, 2021 was \$142,747 (August 31, 2020 - \$216,225).

As at August 31, 2021, property, plant and equipment includes tools and equipment under construction of \$nil (August 31, 2020 - \$3,781), which is not being depreciated.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

The Company recorded an impairment expense for the year ended August 31, 2021 of \$1,463, (August 31, 2020 – inventory impairment \$216,079) as a result of specific asset obsolescence and / or physical damage. Of the inventory impaired in fiscal 2020, \$196,787 was recorded within the equipment under construction, under the tools and equipment asset segment.

### 9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company's leases consist of a lease for its office and warehouse space, and various short-term and/or low value leases for other equipment, such as cellular phones and office equipment.

The Company recently entered into a new lease for its office and warehouse space in Edmonton, Alberta for five years, expiring January 31, 2026. The building lease does not include a lease extension option. The Company reassesses leases when a significant event or a significant change in circumstances within the Company's control has occurred.

	Right-of-use asset		Lease liability	
	Building		Total	
As at August 31, 2020	\$	62,648	\$	(64,203)
Additions		520,675		(520,675)
Depreciation		(123,394)		-
Payment		-		89,149
As at August 31, 2021	\$	459,929	\$	(495,729)

<i>Amounts recognized in the consolidated statement of net loss and comprehensive loss</i>	August 31, 2021		August 31, 2020	
Depreciation expense on right-of-use asset	\$	123,394	\$	150,357
Interest expense on lease liabilities		15,717		7,198
Expense related to variable lease payments not included in the measurement of the lease liability		59,109		59,537
Expense related to leases of low value assets		16,625		18,371
Expense related to leases of short-term leases		-		-
<b>Total</b>	\$	214,845	\$	235,463

Variable lease payments include operating and maintenance expenses, property taxes, and other variable costs. The estimated balance of future variable lease payments is estimated to approximate \$260,388. Overall, the variable payments constitute up to 32.2% of the Company's entire lease payments.



# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

<i>Amounts recognized in consolidated statement of cash flows</i>		August 31, 2021		August 31, 2020
Cash payments for interest portion of lease liabilities	\$	15,717	\$	7,198
Cash payments for leases not included in measurement of lease liability		59,109		59,537
Cash outflows in operating activities		74,826		66,735
Cash payments for the principal portion of lease liabilities		89,149		148,802
Cash outflows in financing activities		89,149		148,802
<b>Total cash outflows for leases</b>	\$	163,975	\$	215,537

The Company also leases cellular telephone and other equipment with terms of three years or shorter. These leases are generally short-term or for low-value assets that the Company has elected not to recognize in the right-of-use assets and lease liabilities.

### 10. INTANGIBLE ASSETS

As at August 31, 2021	Total
<b>Cost</b>	
Balance at August 31, 2020	\$ 66,175
Impairment	(66,175)
Balance at August 31, 2021	-
<b>Accumulated depreciation</b>	
Balance at August 31, 2020	(3,946)
Depreciation	(3,716)
Impairment	7,662
Balance at August 31, 2021	-
<b>Net book value</b>	
Balance at August 31, 2021	\$ -

During fiscal year ended August 31, 2020, the Company acquired certain exclusive, irrevocable rights related to licensed patents (“fully-paid up license”) in the Middle East and North Africa for acoustic/ultrasonic well stimulation technologies, for consideration of \$66,175. 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. For the fiscal year 2021 no royalties were accrued or paid.

The Company recorded an impairment expense for the year ended August 31, 2021 of \$58,513, (August 31, 2020 – \$nil) as, at this time, there was no observable indications that the intangible asset could derive any future economic benefits.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

Amortization expense for intangible assets for the year ended August 31, 2021 was \$3,716 (August 31, 2020 - \$3,946).

### 11. SHARE CAPITAL

The Company's authorized and issued share capital is as follows:

*a) Authorized share capital*

Unlimited common shares without par value

*b) Issued common shares*

The changes in the Company's outstanding common shares were as follows:

	August 31, 2021		August 31, 2020	
	Number	Stated capital	Number	Stated capital
Balance, beginning of year	87,572,573	\$ 67,299,083	87,572,573	\$ 67,299,083
Balance, end of year	87,572,573	\$ 67,299,083	87,572,573	\$ 67,299,083

- (i) Subsequent to the fiscal year ended August 31, 2021, 3,437,592 common share purchase warrants exercisable at \$0.20 into an equal number of common shares for gross proceeds of \$687,518.

*c) Share purchase warrants*

	Number	Amount	Weighted average exercise price
Balance, August 31, 2020	4,341,333	\$ 467,716	\$ 0.45
Balance, August 31, 2021 <sup>(i)</sup>	4,341,333	\$ 467,716	\$ 0.45

- (i) As part of the Private Placement in fiscal 2018, (Note 11 (b) (i)), subscribers received 4,341,333 Warrants, with each Warrant being exercisable for one common share of the Company at an exercise price of \$0.45 for a period of 12 months after the closing date, expiring July 17, 2019; provided that, commencing on the date that is four months and one day after the closing of the Offering, if the volume weighted average trading price of a common share on the Exchange is at a price equal to or greater than \$0.65 for a period of more than 20 consecutive trading days.

In connection with the Private Placement, share issuance costs of \$30,908 were allocated to the Warrants (Note 11 (b) (i)).

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

- (ii) During the year ended August 31, 2019, the Company extended the Warrants term by one year, such that their expiry is July 17, 2020. All other terms of the Warrants remained the same.
- (iii) During the fiscal ended August 31, 2020, the Company elected to further 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. In accordance with TSX-V policies re-priced insider Warrants were restricted to 10% of the re-priced Warrants; and thus, the remaining 628,741 warrants had no reduction in exercise price.

Consistent with the TSX-V policies, 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 (10) consecutive trading days during their unexpired term, the closing trading price of the common shares of the Company exceeds \$0.25 per share.

- (ii) During the fiscal ended August 31, 2021, the Company elected to further extend the term of the 4,341,333 share purchase warrants (“Warrants”) for one more additional year to July 17, 2022. All other terms of the Warrants remained the same.
- (iii) Subsequent to the fiscal year ended August 31, 2021, the Company announced that a common share purchase warrant Triggering Event has occurred in relation to the 3,712,592 common share purchase warrants exercisable at \$0.20, as originally issued by the Company on July 17, 2018. The Triggering Event, resulting from the 10-day closing price of the common shares of the Company, as traded on the TSX Venture Exchange exceeding \$0.20 per common share, and thus, the expiry date of the 3,712,592 common share purchase warrants exercisable at \$0.20 was no longer July 17, 2021 but November 25, 2021.

Subsequent to the fiscal year ended August 31, 2021, 3,437,592 common share purchase warrants exercisable at \$0.20 were exercised into an equal number of common shares, for gross proceeds of \$687,518. The balance of 275,000 common share purchase warrants exercisable at \$0.20 expired unexercised as at November 25, 2021. The subsequent outstanding balance of common share purchase warrants is 628,741 exercisable at \$0.45.

### d) Stock-based compensation plan

The Company maintains an Employee, Director, Officer and Consultant 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 less than the “Discounted Market Price” (as defined in the policies of the TSX-V), 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 (10) years and vest in equal tranches at three-month intervals over a period of eighteen months.

### Movements in stock options during the year

A summary of the status of the Company’s Stock Option Plan is presented below:

	August 31, 2021		August 31, 2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of year	1,975,000	\$ 0.28	2,775,000	\$ 0.24
Issued	1,000,000	0.10	-	0.00
Forfeited	(175,000)	0.28	-	0.00
Expired	-	0.00	(800,000)	0.12
Outstanding, end of year	2,800,000	\$ 0.22	1,975,000	\$ 0.28

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

During fiscal year ended August 31, 2021, the Company issued 1,000,000 stock options to the Company's five independent directors, expiring March 1, 2031, with an exercise price of \$0.10 per stock option.

Subsequent to fiscal year ended August 31, 2021, the Company issued 1,800,000 stock options of the Company, expiring September 27, 2031, with an exercise price of \$0.17 per stock option. Of the 1,800,000 stock options of the Company, 1,200,000 were issued to Officers of the Company.

### Stock options outstanding at the end of the year

The table below represents the amount of stock options outstanding at August 31, 2021:

Awards Outstanding			Awards Exercisable		
Options outstanding	Remaining contractual life in years	Exercise price	Options exercisable	Remaining contractual life in years	Exercise price
1,000,000	9.50	0.10	166,665	9.50	0.10
1,725,000	4.25	0.28	1,725,000	4.93	0.28
75,000	5.35	0.35	75,000	5.34	0.35
2,800,000	6.57	\$ 0.218	1,966,665	5.33	\$ 0.283

During the year ended August 31, 2021, the Company incurred \$48,865 (August 31, 2020 - \$nil) in compensation expense relating to outstanding stock options.

The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of the stock options by the holders.

### *e) Contributed Surplus*

	August 31, 2021	August 31, 2020
Balance, beginning of year	\$ 9,414,471	\$ 9,414,471
Share-based payment	48,865	-
Balance, end of year	\$ 9,463,336	\$ 9,414,471

Subsequent to the fiscal year ended August 31, 2021, 3,437,592 common share purchase warrants exercisable at \$0.20 were exercised into an equal number of common shares resulting in a reduction in contributed surplus of \$454,256 and offsetting increase in common share capital.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

### 12. EXPENSES BY NATURE

	August 31, <u>2021</u>	August 31, <u>2020</u>
Wages, wage expenses and benefits	\$ 1,607,697	1,513,206
Consultants	363,538	248,427
Office expenses	361,158	418,389
Public company & listing fees	163,854	201,467
Professional fees	128,508	284,491
Repairs, maintenance and shop supplies	87,344	49,278
Vehicle	62,883	25,462
Impairment	59,976	216,079
Bad debts	58,671	8,603
Share based payments	48,865	-
Marketing, promotions and trade shows	18,566	18,379
Materials, related costs and allocations	4,242	68,468
Miscellaneous	2,496	1,342
Travel, accommodations and meals	2,346	187,233
Gain on disposition of property, plant and equipment	(9,052)	-
	<u>\$ 2,961,092</u>	<u>\$ 3,240,824</u>

#### *Compensation of key management personnel of the Company*

The Company's key management personnel include its directors, chief executive officer and president, chief financial officer, vice presidents, and senior management. The following outlines their compensation:

	August 31, <u>2021</u>	August 31, <u>2020</u>
Wages, and other short-term employment benefits	\$ 545,956	\$ 566,388
Directors' fees	147,000	150,000
Share-based payments	49,347	-
	<u>\$ 742,303</u>	<u>\$ 716,388</u>

Share-based payments are the fair value of stock options granted to key personnel as disclosed in Note 11 (d).

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### 13. GOVERNMENT ASSISTANCE

In response to COVID-19, governments have established various programs to assist companies through this period of uncertainty, like the implementation of the CEWS and CERS. The Company recorded non-refundable contributions under the CEWS and CERS programs for fiscal year ended August 31, 2021 of \$216,531 and \$51,937, respectively (August 31, 2020 - \$147,864 and \$nil), with \$22,598 included in accounts receivable (August 31, 2020 - \$nil).

### 14. INCOME TAXES

	<u>2021</u>	<u>2020</u>
Current income tax expense	\$ -	\$ -
Deferred income tax expense	-	-
	<u>\$ -</u>	<u>\$ -</u>

The tax recovery on the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the entity as follows:

	<u>2021</u>	<u>2020</u>
Loss before income tax	\$ (1,374,357)	\$ (660,183)
Expected income tax recovery at statutory income tax rate	(323,799)	(174,024)
Adjusted for the following:		
Tax rate differences	(1,014)	34,054
Foreign exchange differences	145,538	134,876
Stock-based compensation	11,513	-
Effect of change in tax rate	(17,479)	(13,192)
Expiry of non-capital losses	-	-
Deferred tax asset not recognized	189,230	33,139
Adjustments in respect of income tax of previous periods	(4,003)	(16,413)
Non-deductible and other items	14	1,560
Net deferred income tax asset	<u>\$ -</u>	<u>\$ -</u>

The Company's substantially enacted Canadian statutory tax rate is approximately 23.56% (August 31, 2020 – 26.36%).

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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Deferred income tax assets and liabilities are attributable to the following:

	<u>2021</u>	<u>2020</u>
Deferred income tax asset		
Non-capital losses	\$ 113,785	\$ 5,386
Other	-	-
	<u>113,785</u>	<u>5,386</u>
Deferred income tax liabilities		
Property, plant and equipment	(5,442)	(5,386)
Other	(108,343)	-
	<u>(113,785)</u>	<u>(5,386)</u>
Net future income tax asset	<u>\$ -</u>	<u>\$ -</u>

Deferred income tax assets are recognized for loss carry-forwards and other deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets of \$16,221,581 (August 31, 2020 - \$16,026,965) in respect of tax losses and other deductible temporary differences amounting to \$66,927,784 (August 31, 2020 - \$66,692,135) that can be carried forward against future taxable income.

Included in these deductible temporary differences are federal and Alberta scientific research and experimental development ("SR&ED") pool expenditures amounting to \$3,547,989 (August 31, 2020 - \$3,547,989) that can be carried forward to use against future federal and Alberta net income for tax purposes. These SR&ED pool expenditures do not expire. The Company has filed returns in support of SR&ED expenditures of \$nil for the year-ended August 31, 2020. The Company has up to 18 months within its fiscal year end to file any SR&ED claim.

The Company did not recognize the benefits of non-refundable SR&ED tax credits ("ITCs") amounting to \$835,753 (August 31, 2020 - \$840,305). These ITCs can be carried forward against future federal income tax payable.

The non-capital losses and ITCs included in the unrecognized deductible temporary differences expire as follows:

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

	U.S. federal net-operating loss carry-forward U.S. \$	Canadian federal non-capital loss carry-forward CAD \$	Canadian federal SR&ED (ITCs) CAD \$
2022	\$ -	\$ -	\$ 13,786
2023	-	-	4,493
2024	-	-	2,134
2026	-	-	-
2027	591,172	296,900	50,490
2028	1,405,291	1,901,084	172,790
2029	1,439,261	2,586,521	168,446
2030	1,361,878	3,453,864	139,977
2031	532,281	261,542	117,573
2032	2,521,604	3,337,918	166,064
2033	-	1,985,569	-
2034	-	3,321,790	-
2035	874,645	43,560	-
2036	50,995	3,420,628	-
2037	-	5,948,578	-
2038	388,491	2,047,831	-
2039	122,607	-	-
2041	211,948	-	-
2042	206,423	94,791	-
	<u>\$ 9,706,596</u>	<u>\$ 28,700,576</u>	<u>\$ 835,753</u>

### 15. LOSS PER SHARE

The weighted average number of common shares outstanding for basic and diluted loss per share is 87,572,573 (August 31, 2020 - 87,572,573).

In determining diluted loss per share, the weighted average number of shares outstanding for the year ended August 31, 2021 and 2020 excluded all stock options and warrants eligible for exercise where the average market price of the common shares for the year exceeds the exercise price because the result was anti-dilutive in both periods.



# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### 16. CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern;
- To ensure that the Company's business plans are developed so that research and development and capital expenditure commitment costs do not exceed the Company's financial resources;
- To maintain flexibility in order to preserve the Company's ability to meet financial obligations with a long-term view of maximizing shareholder value; and,
- To maintain sufficient cash and cash equivalents and short-term investments to fund its business plan.

The Company's primary uses of capital are to finance commercialization of its Powerwave™ technologies, tool development and manufacturing, market development, working capital, and capital and operating expenditures.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

- Realizing proceeds from the disposition of its investments; and
- Raising capital through equity financings.

In the management of capital, the Company includes the components of shareholders' equity comprised of share capital, contributed surplus and warrant reserve, and accumulated deficit to provide capital of \$1,335,467 as at August 31, 2021 (August 31, 2020 - \$2,662,745).

Since inception, the Company has financed its liquidity needs through public offerings and private placements of common shares and interest income.

In order to maintain or adjust the capital structure, the Company may adjust the number of shares issued, enter into collaborative and/or licence agreements, enter into mergers and acquisitions, acquire debt or enter into some other form of financing facility.

In order to maximize funds available for investment, the Company does not pay dividends.

The Company expects its current capital resources (see Note 20, Subsequent Events) will be sufficient to fund operations.

The Company is not subject to any externally imposed capital requirements.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### 17. FINANCIAL INSTRUMENTS

#### a) *Categories of financial instruments*

The Company has classified its financial instruments as follows:

	August 31, 2021	August 31, 2020
<b>Financial assets</b>		
Cash and cash equivalents	\$ 1,201,893	\$ 1,817,671
Trade and other receivables	193,604	764,629
Deposits	14,150	14,150
<b>Financial liabilities</b>		
Unearned revenue	78,041	79,639
Trade accounts payable and accrued liabilities	490,985	564,911

#### b) *Financial risk management*

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, foreign currency risk, and liquidity risk. An analysis of these risks as at August 31, 2021, is provided below.

##### (i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company conducts a significant portion of its business activities in the United States, in U.S. dollars. Cash and cash equivalents, trade and other receivables, trade accounts payables and accrued liabilities that are denominated in foreign currencies will be affected by the changes in the exchange rates between the Canadian dollar and U.S. dollar. The Company currently does not enter into any derivative financial instruments to reduce its exposure to foreign currency risk.

The tables that follow provide an indication of the Company's exposure to changes in the value of the U.S. dollar relative to the Canadian dollar as at and for the year ended August 31, 2021. The analysis is based on financial assets and liabilities denominated in U.S. dollars at the statement of financial position date ("statement of financial position exposure"), and U.S. dollar denominated revenue and operating expenses during the year ("operating exposure").

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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	<u>U.S. dollars</u>
<b>Statement of financial position exposure</b>	
<b>As at August 31, 2021</b>	
Cash and cash equivalents	\$ 263,089
Trade and other receivables	125,795
Trade accounts payable and accrued liabilities	(93,134)
Unearned revenue	(71,026)
<hr/>	
Net statement of financial position exposure	\$ 224,724

	<u>U.S. dollars</u>
<b>Statement of financial position exposure</b>	
<b>As at August 31, 2020</b>	
Cash and cash equivalents	\$ 224,585
Trade and other receivables	583,039
Trade accounts payable and accrued liabilities	(62,684)
Unearned revenue	(48,086)
<hr/>	
Net statement of financial position exposure	\$ 696,854

Based on the Company's foreign currency exposure, as noted above, with other variables unchanged, a 5% change in the Canadian dollar against the US dollar as at August 31, 2021 would have impacted on comprehensive net loss by \$11,236 (August 31, 2020 - \$34,843).

(ii) Credit risk

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations. The Company invests its cash and cash equivalents with counterparties that it believes are of high credit quality as assessed by reputable rating agencies. Given these high credit ratings, the Company does not expect any counterparties holding these cash equivalents to fail to meet their obligations.

Credit risk associated with cash and cash equivalents and short-term investments is managed by ensuring that these financial assets are held with major financial institutions with strong investment grade ratings.

For trade and other receivables, unbilled receivables, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime ECL assessment for impairment based on a single expected-loss model.

Trade receivables are included in trade and other receivables on the statements of financial position and consist of the following:

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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	August 31, 2021	August 31, 2020
Trade and other receivables		
Current	\$ 143,468	\$ 304,525
Past due but not impaired		
Aged between 31 - 90 days	19,197	77,126
Aged between 91 - 120 days	31,543	-
Aged greater than 121 days	-	384,739
Total trade	194,208	766,390
Allowance for doubtful accounts	(604)	(1,761)
	\$ 193,604	\$ 764,629

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Reconciliation of expected credit loss (ECL):

	August 31, 2021	August 31, 2020
Balance, beginning of year	\$ 1,761	\$ -
Increase in allowance	604	1,761
Net of write-offs and recoveries	(1,761)	-
Impact of foreign exchange	-	-
Balance, end of year	\$ 604	\$ 1,761

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The maximum exposure to credit risk at the reporting date by geographical region was (carrying amount):

	August 31, 2021	August 31, 2020
North America	\$ 108,728	\$ 50,118
Middle East	84,876	687,372
Other International	-	27,139
	\$ 193,604	\$ 764,629

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# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### (iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities as they become due.

The Company manages liquidity risk through cash management and by monitoring forecast cash flows.

The following table details the Company's remaining contractual maturity for its financial liabilities as at August 31, 2021. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	0 to 3 months	4 to 12 months	Year 2	Years 3 to 5	After 5 years
Contractual commitments	\$ 31,113	\$ -	\$ -	\$ -	\$ -
Trade accounts payable and accrued liabilities	155,752	-	-	-	-
Commitments and variable lease payments	14,739	44,217	58,956	142,476	-
Lease liabilities	29,900	89,700	123,013	309,671	-
	<u>\$ 231,504</u>	<u>\$ 133,917</u>	<u>\$ 181,969</u>	<u>\$ 452,147</u>	<u>\$ -</u>

- i) The Company entered into a new lease for a period of five years commencing February 1, 2021. For the term of the new five-year lease, the total estimated commitments and variable lease payments are estimated to be \$289,728, with the future lease liabilities estimated at \$520,675. The new lease commitments are included in the above table.

The pervasiveness of the World Health Organization declared coronavirus ("COVID-19") and the associated pandemic continues to have significant impact on the global economy. Numerous countries have approved and are in the process of distributing the various COVID-19 vaccines, and many governments and central banks have also announced significant monetary and fiscal economic stimulation programs and are lifting travel and removing social distancing restrictions. However, the timeframe to complete and eventual efficacy of such measures throughout the economy and supply chains is currently unknown.

These factors, amongst others, are likely to have a negative impact on the Company's credit and liquidity risks, as well as, maintaining revenues and earnings, cash flows, and Wavefront's financial condition.

### c) *Fair values*

The carrying amounts in the consolidated statement of financial position for cash and cash equivalents, trade and other receivables and trade accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of these instruments.

The Company has no financial assets recorded at fair value at August 31, 2021 or 2020.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

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### 18. COMMITMENTS AND GUARANTEES

#### *Operating leases*

Amounts outstanding under non-cancellable operating lease agreements payable within the next year and thereafter:

	Property	Plant, equipment, automotive and other	Total
Next year	\$ 179,137	\$ 31,113	\$ 210,250
Within two to five years	636,100	-	636,100
Thereafter	-	-	-
	<u>\$ 815,237</u>	<u>\$ 31,113</u>	<u>\$ 846,350</u>

#### *Guarantees*

In the normal course of operations, the Company may provide indemnification to counterparties that would require the Company to compensate them for costs incurred as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract. Management does not expect the potential amount of these counterparty payments to have a material effect on the Company's financial position or operating results.

### 19. SEGMENTED INFORMATION AND SIGNIFICANT CUSTOMERS

The Company is a technology company and 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 and geographic areas, in identifying its reportable segment. The operating segment(s) 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. The Company has one group of similar products due to having a similar underlying technology, class of customers and economic characteristics.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

## Notes to the Consolidated Financial Statements

August 31, 2021 and 2020

(Canadian dollars)

### *Geographic information*

	Revenue		Assets	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
North America	\$ 220,557	\$ 292,156	\$ 2,164,339	\$ 2,471,202
Middle East	1,366,835	2,315,750	243,420	854,142
Other International	18,350	196,551	12,731	46,154
	<u>\$ 1,605,742</u>	<u>\$ 2,804,457</u>	<u>\$ 2,420,490</u>	<u>\$ 3,371,498</u>

For its geographic segments, the Company has allocated assets based on their physical location and revenue based on the location of the customer. Of the revenues recognized for the year ended August 31, 2021 in the Middle East, revenues of \$1,134,532 (August 31, 2020 - \$1,026,482) were derived from the State of Kuwait; revenues of \$240,932 (August 31, 2020 - \$1,305,417) were derived from the Kingdom of Saudi Arabia; and, revenues in North America, \$220,557 (August 31, 2020 - \$104,304) were derived from the USA.

### *Significant customers*

Sales in the year ended August 31, 2021 from the top three customers amounted to \$1,134,532, \$100,936, and \$99,591 which represented 70.4%, 6.3% and 6.2% respectively, of total revenue. Sales in the year ended August 31, 2020 from the top three customers amounted to \$11,436,877, \$1,026,482, and \$180,802 which represented 51.2%, 36.6% and 6.3% respectively, of total revenue.

## 20. SUBSEQUENT EVENTS

Subsequent to the fiscal year ended August 31, 2021, 3,437,592 common share purchase warrants exercisable at \$0.20 were exercised into an equal number of common shares, for gross proceeds of \$687,518. The balance of 275,000 common share purchase warrants exercisable at \$0.20 expired unexercised as at November 25, 2021. The subsequent outstanding balance of common share purchase warrants is 628,741 exercisable at \$0.45.

Subsequent to the year ended August 31, 2021, the Company also entered into an agreement with Alumina Partners (Ontario) Ltd. ('Alumina') for a commitment by Alumina to purchase up to \$12,000,000 of common stock of the Company (the 'Facility'), in a potential series of individual private placement offering(s) (the 'Offerings').

Under the terms of the Facility, Wavefront, at its sole discretion, may choose to drawdown against the Facility in increments of up to \$500,000 as new Offering(s) expiring November 3, 2023. The pricing terms of each new potential Offering will be determined subject to market conditions at the time of the drawdown or Offering. There are no finders' fees associated with any potential Offerings, nor are there penalties for not drawing on the Facility. The Company has yet to drawdown any Offering against the Facility.