Wavefront Technology Solutions Inc.

Annual & Fourth Quarter Report for the Fiscal Year & Period Ended August 31, 2021

The following discussion and analysis of financial results should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended August 31, 2021 and 2020 and is based on information available to December 6, 2021. 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 Standards ("IFRS"). The MD&A primarily compares the audited financial results for the year ended, and fourth quarter ended August 31, 2021 to August 31, 2020. 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 financial records (also see section titled "Controls and Procedures" page 32). The financial information presented throughout this MD&A should be read in conjunction with consolidated financial statements.

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.

Deloitte LLP, an independent firm of Chartered Public Accountants, has been engaged, as approved by a vote of shareholders at the Company's most recent annual general meeting, as external auditors of the Company. The Independent Auditors' Report to the shareholders, which describes the scope of their examination and expresses their opinion, is presented in the consolidated financial statements.

The Audit Committee of the Board of Directors, whose members are independent as defined in National Instrument 52-110: Audit Committee, meet to review the consolidated financial statements with management and the auditors, and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors has approved the audited consolidated financial statements.

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, Performance Drilling and WaveAxe™ 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.

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, Wavefront's core technology, marketed under the brand name, "Powerwave®", has proven to decrease chemical cost and job execution time; thus, minimizing total job cost while positively impacting post-stimulation results. Powerwave has also been shown to reduce CO_2 emissions during well stimulations and may be used in CO_2 sequestration projects thereby potentially assisting Exploration and Production ("E&P") companies in achieving carbon neutral targets. In IOR/EOR applications, Powerwave has been shown to improve oil production rates; decrease oil production decline rates; and increasing estimated ultimate oil recovery. Wavefront operates in the global marketplace dealing directly with exploration and production ("E&P's") companies, and through a network of international distributors and agents.

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

With the evolution of environmental, social and governance ("ESG") reporting, it is believed that Powerwave well stimulations may assist many end users or E&Ps customers to achieve their environmental targets as Powerwave has been seen (compared to conventional tools) to reduce average operational time, thereby reducing CO_2 emissions, reduce average chemical consumption while increasing post-stimulation outcomes, and increase the time period between re-stimulation of the same well.

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.

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

Wavefront thus works through distribution, agency, or representation ("Distributor") agreements that encompass representation in 16 countries (but are active in this reporting period in 6 countries), and permits Distributors to market and resell the Company's Powerwave suite of technologies to end users or E&Ps. The agreements provide that the Distributor is generally responsible for contracting directly with and fulfilling the provision of goods or services to the end user, i.e., E&Ps, or their customers, 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&Ps 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 fees or foreign tax withholdings from any amounts paid to Wavefront. The Company thus, recognizes the net amounts received in its revenue recognition. Wavefront is responsible for supplying Powerwave tools to the Distributor; Powerwave tool replacement, if needed; certain proprietary inventory items required to rebuild or refurbish Powerwave tools, or consumables; and, if needed all Powerwave 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-distributors, Wavefront negotiates an amount that it can expect to receive for each bundled Powerwave job or service.

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

As a technology company, Wavefront must support the marketing efforts of distributors. The ideal marketing approach for Powerwave would be for Wavefront personnel or its Distributors' business development team to approach a single or group of engineers who could readily accept the merits of the technology and implement it accordingly. However, the ease of such a marketing approach is not reality. In most cases for most E&Ps there are multiple groups that must have various criteria satisfied before approving not only a field trial but also on-going work. For example, the production engineering team may wish to implement Powerwave for stimulation work however the reservoir engineering team may be unconvinced of the utility of the technology hence the stimulation may not proceed. Alternatively, a research and technology team charged with bringing new technology to an E&P may identify Powerwave as a unique opportunity for the E&P to exploit to improve oil and gas well stimulation efforts or even a derivative of Powerwave for enhancing oil recovery by water or CO_2 flooding. Even though the research and technology team may have identified Powerwave as a possible gamechanger for the E&P both the reservoir and production engineering teams must also be convinced. As such marketing Powerwave to end users is a multi-pronged approach which may impact the sales cycle.

For water or CO_2 flooding projects the Company has seen sales cycles from introduction to purchase order and implementation of up to 12 months. For Powerwave well stimulations, sales cycles may range from several days to several months.

Wavefront's patent portfolio encompasses i) a utility patent(s) related to the general process of dynamic fluid injection (i.e., the Powerwave process) where there is communication with the 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 patent portfolio, the Company's intellectual properties include "know how" or trade secrets required 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

Oil prices have recovered significantly from their negative pandemic lows of April 2020. Moving forward the outlook for oil prices will be largely driven by global economic recovery tied to the world's continued progress on keeping COVID-19 infection and mortality rates low. However, another COVID-19 variant such as the newly name Omicron variant with its associated fears of high infection and mortality rates may derail global economic recovery and apply downward pressure on oil prices – although likely not to the lows of April 2020. While there is optimism for higher, more sustainable oil prices the range of possibilities is large and is reflective of overall uncertainty surrounding COVID-19 and global economic recovery.

Although there has been positive upward movement in oil prices, and it may be expected the E&P companies would accelerate much needed well work; however, there are supply chain issues that continue to loom large and cast doubt on timing of pending E&P activity. Such supply chains issues included but are not limited to access to well stimulation fluids such as acid, coiled tubing reels, rig replacement parts, and so on. The expected timeframe for such supply chain issues to be resolved remains unclear and as such may impact Wavefront's activity levels in the coming months. While Wavefront has seen new opportunities arise as is evidenced in recent, multiple well stimulation packages being awarded, the Company remains wary about its growth prospects in the near term and may continue to experience a period of revenue contraction in several areas we serve.

While there has been considerable pricing pressure on OFS companies even before the global pandemic the sector continues to grapple with existing margins and reduced E&P spending in traditional core business as the E&Ps transition new sustainability options. With the broadening move towards decarbonization associated with human-induced effects on climate change OFS companies must adapt and move outside of traditional oilfield services to sectors in the low-carbon space. Wavefront has identified two areas in the low-carbon space where its existing proprietary technologies may play a pivotal role. The first area is in CO_2 sequestration while the second area is geothermal operations.

CO_2 sequestration in geological media is a well-researched and practiced approach. Depending on in-ground temperature and pressure and other characteristics, CO_2 may be stored through several mechanisms in geological media as a gas, a liquid, or in a supercritical state by trapping in porous media such as depleted hydrocarbon reservoirs; oil reservoirs (enhanced oil recovery); or deep brine aquifers and regional-scale aquifers. The physics of fluid flow in porous media is universal – whether it occurs ten feet deep during environmental groundwater remediation, at eight thousand feet deep during CO_2-driven Enhanced Oil Recovery (EOR) or at twelve thousand feet during salt cavern solution mining. Wavefront's Powerwave has been broadly used globally in both environmental, mining, and oil and gas applications. In Michigan, Mississippi, and Texas Powerwave was successfully applied to optimize CO_2-driven EOR projects to improve both CO_2 injection rates as well as CO_2 distribution in the subsurface. Given Wavefront's broad-based experience in multiple sectors we are confident that Powerwave may be successfully applied to large-scale CO_2 sequestration projects to increase CO_2 injection/sequestration rates; thus, keeping anthropogenic carbon from reaching the atmosphere.

It is widely known that one aspect of Wavefront's proprietary technology bundle are fluid-driven tools for removing detritus materials often occurring in oil and gas production or injection wells. Globally, such tools have been successfully used thousands of times in traditional oil and gas operations. While operating conditions in geothermal well may differ several scale types are very prevalent and often found in oil and gas wells. These include carbonate minerals, amorphous silicates, metal oxides, and sulphides. Wavefront and its global OFS distributor are currently evaluating opportunities to deploy Wavefront tools in geothermal operations in Europe and North America. Given Wavefront's successful track record in wellbore cleaning the Company is very confident of success in this new market.

Moving forward, Wavefront will continue to exercise disciplined operating cost and capital expenditure controls. Wavefront remains committed to strong project execution, best-in-class service, and will continue to strive toward generating solid gross profit margins[1] to ensure the Company is best positioned to quickly rebound as the economic recovery unfolds.

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 as it believes this additional supplemental information is useful to stakeholders with respect to the development of the business.

[1] Gross profit is calculated by deducting cost of sales which includes direct costs, such as direct materials, direct labour, travel related expenditures, sub-contractors, shipping, duties and taxes, from revenue. Gross profit margin is calculated by dividing the gross profit by revenue.

Throughout fiscal 2021 COVID-19 impacted numerous end users or E&P's directly in that their office facilities and/or oilfields had limited access or were closed for extended periods of time. This impacted Wavefront in that Powerwave jobs could not be completed and thus, revenues not recognized. Additionally various end users or E&Ps were indirectly impacted by COVID-19 in that their supply chains (i.e., acid manufacturing and availability, coiled tubing and rig parts and availability, etc.) were and continue to be impacted, thereby also delaying Powerwave stimulation work and indirectly impacting Wavefront's business.

Revenues for the fiscal year ended August 31, 2021 totalled $1,605,742, a decrease of $1,198,715 from that recorded for the comparative year ended August 31, 2020 of $2,804,457. Of the revenues for the reporting quarter, $1,471,554 relates to Powerwave stimulations, with $1,366,834 of those revenues being derived from the Middle East, with 93.9% of total revenues generated from Distributors. Costs of sale remained relatively constant at 4.7% (2020 – 4.3%); however, the Company was able to reduce its general and administrative, sales and marketing, amortization and depreciation, and research and development expenses by $170,359. During the year, the Company incurred an impairment expense of $59,976, a reduction of $156,103 from the comparative year's expense of $216,079. Despite the reduction in revenues of $1,239,780, the Company was able to effectively manage its cash resources, as cash used in operating activities decreased by $25,579 to $455,546 (2020 - $481,125).

Revenues for the fiscal year and three months ended August 31, 2021 were not as anticipated and negatively impacted as end users and / or E&P customer companies experienced COVID-19 related oilfield shut downs, had limited access to oilfields due to social distancing and travel restrictions, or have had supply chains (i.e., chemical and acid manufacturing and availability, coiled tubing and rigs parts availability, etc.), which has impacted projects and revenue recognition and business operations. Despite the COVID-19 related issues, the Company, late in the fourth quarter 2021, was able to secure a new Texas-based E&P customer and was issued a well stimulation package for multiple wells with an approximate aggregate value of US $85,000. This same E&P customer also issued two additional well stimulation packages, late in the fourth quarter and subsequent to year end, for multiple wells with an approximate aggregate value of US $210,000. Although these well packages have yet to be completed due to the customer's supply chain and COVID-19 related issues, the back log of well stimulations represent a significant growing backlog of revenues which, when earned, may represent in excess of a threefold increase in fiscal 2021 USA Powerwave revenues. Subject to continued quality of Powerwave service to these existing and new clients, the Company anticipates further awards of Powerwave well stimulation packages throughout fiscal 2022.

Subsequent to fiscal 2021, the Company was also able to add three Texas-based E&P customers, who provided well stimulation packages for multiple wells with an approximate aggregate value of US $330,000.

Additionally, and subsequent to the year ended August 31, 2021, the Company was able to secure a new GSA with a minimum guaranteed contract value of US $10 Million, over a five-year term. Wavefront will invoice the GSA client US $500,000 ("Quarterly Guaranteed Minimum"), or any prorated portion thereof, during each of the Company's fiscal quarters over the term of the Agreement. Any Services work more than the Quarterly Guaranteed Minimum would be invoiced above the Quarterly Guaranteed Minimum and recognized as revenue using the percentage of completion method, which is based on the term of the tool rental and Services. Given the inability to recognize revenues related to a prior GSA, the Company will account for revenues related to the new GSA agreement on a cash basis.

The totality of the recent US based business development activities, with an approximate aggregate value of US $2,625,000, if and when the projects are completed and revenues are able to be recognized, would represent a significant increase over the current fiscal years total reported revenues of $1,156,677.

In the State of Kuwait ("Kuwait"), and at the beginning of fiscal 2021, Wavefront entered into a new exclusive agreement with its distributor, Gulf Drilling and Maintenance Co. ("GDMC"). Under the Exclusive Agreement, GDMC will pay Wavefront a minimum yearly aggregate amount of US $900,000, paid monthly, in arrears for the exclusive rights to the Company's suite of well stimulation technologies for use in the State of Kuwait, including the Al Khafji Joint Operations region. However, the National Oil Company ("NOC") throughout fiscal 2021 has been subject to various government-mandated COVID-19 restrictions. While Kuwait has just recently been progressing towards re-opening business operations and allowing travel for most foreign visitors, the COVID-19 restrictions has hampered GDMC in its ability to market Powerwave related technology. Furthermore, the restrictions curtailed all but essential oil field work which additionally set-back Powerwave uptake as well as lead to the deferral of the Company's anticipated WaveAxe® field trial. Subsequent to fiscal year end 2021 GDMC carried out the initial WaveAxe field trial. While a technical success the well, which had been problematic and shut-in for several years, and had been subject to other recent stimulation attempts by other OFS companies only marginally responded to the WaveAxe treatment. As such the NOC has identified additional candidates for subsequent technology evaluation.

Like Kuwait, the Kingdom of Saudi Arabia was not immune to aggressive COVID-19 restrictions that impacted Wavefront's marketing efforts and the growth of Powerwave related technology in the country. During fiscal 2021 the Company entered into a multi-year equipment rental agreement with a multinational oilfield services company for the distribution of Wavefront's Powerwave well stimulation technology not only in the Kingdom of Saudi Arabia but across the 90 global locations of the multinational oilfield service company's locations. Since entering into the agreement with a multinational oilfield services company, Wavefront has been training this Distributor's personnel on the Powerwave technologies for marketing purposes and well site candidate selection, most notably in Colombia, Mexico, Brunei, and broadly across Europe.

Fourth quarter 2021 recorded revenues (i.e., three months ended August 31, 2021) amounted to $415,583, compared to the comparative period (i.e., three months ended August 31, 2020) revenues of $695,473. Although there was a decline in fourth quarter revenues over the comparative period, they remain relatively stable throughout the COVID-19 periods when compared to the prior quarters revenues (i.e., first quarter ended November 30, 2020 recorded revenues of $445,760; the second quarter ended February 28, 2021 recorded revenues of $373,118; and the third quarter ended May 31, 2020 recorded revenues of $371,281). Recorded revenues, due to unforeseen circumstances beyond the Company's control, related to a General Services Agreement ("GSA"), as announced on September 9, 2019, were not yet recognized, at this time.

During the fourth quarter ended August 31, 2021, general and administrative, sales and marketing, research and development, amortization and depreciation, and impairment expenses decreased by $30,117 to $745,430, compared to $775,547 for the fourth quarter 2020.

Impairment

As of August 31, 2021, the Company recorded an impairment expense of $1,463 related to certain Powerwave tools due to obsolescence and / or physical damage. In addition, the Company recorded an impairment expense of $58,513 related to an irrevocable patent license recorded as an intangible assets. COVID-19, as well as other material uncertainties, has impacted the Company's ability to realize a future economic benefit related to the underlying irrevocable license. As at August 31, 2021, the Company assessed impairment indicators for the Company's sole Powerwave CGU, and concluded that no indicators of impairment were present.

In the comparative year ended August 31, 2020 the Company fully impaired the $211,965 of raw materials and consumable inventory recorded within the equipment under construction, under the tools and equipment asset segment to the estimated net realizable value of $nil. COVID-19, as well as volatility in spot prices for oil, created material uncertainties, and also impacted the Company's ability to consume or sell these inventory items within next twelve months from the impairment date.

CONSOLIDATED RESULTS – FISCAL YEAR ENDED AUGUST 31, 2021

Revenues

Revenues for the fiscal year ended August 31, 2021 amounted to $1,605,742 a decrease of $1,198,715 from the comparative reporting period revenues of $2,804,457. Revenues related to Powerwave stimulations for the reporting fiscal year totalled $1,471,554 (2020 - $2,597,910), with revenues of $1,366,834 (2020 - $2,315,750) of Powerwave stimulation revenues being derived from the Middle East, a decrease of $948,916 over the comparative year. Powerwave stimulation revenues in Middle East were below volume expectations due to lower-than-expected Distributor activities primarily in the Kingdom of Saudi Arabia as a result of direct and indirect impacts of COVID-19.

North American stimulation revenues totalled $96,089 (2020 - $98,838) lagging historical norms and were negatively impacted revenue recognition related to a United States E&P client and GSA, COVID-19 and E&P constrained operating budgets. Powerwave stimulation in other international regions totalled $94,147 (2020 - $183,322). It is believed, barring any further COVID-19 and E&P supply chain issues, that with the recently announced well stimulation packages that revenues may exceed recent reported US-based Powerwave reported revenues.

Powerwave IOR/EOR revenues of $180,802 relate only to fiscal 2020. The fiscal 2020 IOR/EOR project was the sale of Powerwave IOR/EOR tools in Canada but was denominated in United States currency and was destined for Colombia.

Additionally, the Company recognized $96,016 (2020 - $24,256) in Other Technology, or more specifically Primawave, revenues of which $134,188 (2020 – $12,516) was generated principally in the United States.

Geographically, $182,492 (2020 – $292,156) in revenue was generated in North America, $1,366,834 (2020 - $2,315,750) in the Middle East, and $18,350 (2020 - $196,551) in other international geographic regions. The geographic revenues are more specifically described as follows:

> **North America**: Revenues in North America decreased by $109,664 to $182,492 compared to $292,156 in comparative fiscal year, principally due to the decline of Powerwave stimulation and workover projects revenues in the United States. Powerwave IOR/EOR project revenues totalled $nil (2020 - $180,802), while Powerwave stimulation revenues in North America remained relatively stable at $96,089 (2020 - $98,838). Other Technology revenues increased by $111,952 to total $124,468 (2020 - $12,516).
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> **Middle East**: Revenues in the Middle East decreased by $948,916 to $1,366,834 (2020 - $2,315,750) and was impacted by COVID-19 and not having marketing or oilfield access. Powerwave stimulation revenues in the Middle East also decreased by $948,916 to $1,366,834 (2020 - $2,315,750).
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> **Other International**: Revenues outside of North America and the Middle East decreased by $178,201 to $18,350 (2020 - $196,551). Powerwave stimulation revenues in other international markets decreased by $174,692 to $8,630 (2020 - $183,322); Other Technology revenues totalled $9,720 (2020 - $13,229).

Costs of Sales

Under IFRS cost of sales includes direct labour, wage benefits and associated stock option benefits, consumable (i.e., inventory) parts, as well as third party installation costs of Powerwave, and Other Technology product lines.

Any losses related to Powerwave projects are immediately recognized and have the effect of increasing direct costs for the period in which they occur or are known to occur. The use of Distributors has resulted in decreases in field labour, field compensation, equipment expenses and consumable parts, as the Distributors are undertaking a greater percentage of these expenses relative to dealing with E&Ps or non-distributor customers. Additionally, where the Company has agreement(s) where there is guaranteed revenues, there may be periods where there may be revenues recorded with no underlying work, and thus, no costs of sale. As a result, the product mix and impact of any revenues recorded with no or little costs of sale, will impact the Company's gross profits[2] and gross profit margin[3].

Cost of sales for the fiscal year 2021 was $74,967or 4.7% of revenues (2020 - $119,855 or 4.3% of revenues), as a greater proportion of product revenues being derived from by product streams (i.e., minimum guaranteed licensing or royalty revenues) with $nil or little direct costs (i.e., minimal well modelling, and / or do not require direct labour or inventory for Powerwave tool refurbishing).

Cost of sales for all Powerwave stimulations totalled $74,860 or 5.1% (2020 - $59,212 or 2.3%) of Powerwave stimulation revenues.

Costs of sales variability will however, at least in the near term, be impacted by the Company's product and geographic mixes, distribution channel, and mix of guaranteed revenues where there are no or little costs of sales recognized.

Expenses

For the year ended August 31, 2021 the Company impaired $59,976 in tools and intellectual property to the estimated net realizable value at $nil. The impairment of $216,079 in the comparative period ended August 31, 2020 included the impairment of the inventory in the amount of $196,787, which was classified as non-current and recorded within the equipment under construction, under the tools and equipment asset segment.

General and administrative, amortization and depreciation, sales and marketing, and research and development expenses for the year ended August 31, 2021, declined by $170,359 or 5.2% to $3,105,059, compared to $3,275,418 for the year ended August 31, 2020. The changes within general and administrative, amortization and depreciation, sales and marketing, and research and development expenses were principally a result of the following changes:

i) Amortization and depreciation expense decreased by $100,671 to $269,587 from the comparative period. Depreciation and amortization expense were impacted by the adoption of IFRS 16, which required $123,394 in additional depreciation expense on right-of-use assets, and the addition of an intangible asset that increased depreciation and amortization by $3,716. Offsetting these increases was a decrease in amortization and depreciation related to property, plant and equipment of $73,478 to $142,747.

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[2] Gross profit is calculated by deducting cost of sales which includes direct costs, such as direct materials, direct labour, travel related expenditures, sub-contractors, shipping, duties and taxes, from revenue. Gross profit is a sub total line item in the consolidated statement of net loss and comprehensive loss.

[3] Gross profit margin is calculated by dividing the gross profit by revenue.

ii) Research and development expense decreased by $100,420 to $110,482. Research and development expense relate to labour of the Company's physicist and reservoir engineer that support our Powerwave product line. The comparative period included the development of a prototype high flow rate Powerwave Odyssey tool for multilateral horizontal wells, which is the principal reason for the decline in research and development expenses. The high flow rate Powerwave Odyssey tool is hoped to allow the Company's distributors enter a sector of wells not currently open to stimulation via the current Powerwave Odyssey tool.

The decreases in research and development expenses relates to a decrease in consumption of materials of $45,248, a decrease in external engineering consulting of $28,469, and decreases in functional allocation of fully built-up wages of $26,704 to $91,042.

The COVID-19 impacts and travel restrictions in the current fiscal year impacted the introduction of the new high flow rate Powerwave Odyssey tool that was anticipated to occur in the middle of calendar 2021.

iii) Sales and marketing expenses decreased by $11,433 to $449,347. During the reporting period there was a decrease of $152,458 travel related expenses and a decrease of $12,920 meals and entertainment related expenses, both of which are due to COVID-19 travel restriction to the Middle East. Offsetting these decreases were increases of $153,758 that relates to an allocation of fully built-up labour costs associated with marketing efforts principally in Texas.

With the subsequent easing of COVID-19 social distancing and travel restrictions, the Company attended a conference in the Middle East. It is expected that to support the new global Distributor, as travel restrictions are lift, that the sales and marketing expenses will increase to pre-COVID-19 levels.

iv) General and administrative expenses increased by $42,165 (August 31, 2021 - $2,275,373; August 31, 2020 - $2,233,208). The change in general and administrative expenses were as follows with the noted variances:

	Year ended		
	August 31, 2021	August 31, 2020	Variance
Wages, benefits, & contract employees	$ 1,021,979	$ 1,048,441	$ (26,462)
Office	361,158	418,389	(57,231)
Professional fees	128,508	284,491	(155,983)
Public company & listing fees	163,854	201,467	(37,613)
Consultants	339,615	195,735	143,880
Repairs and maintenance	87,344	49,278	38,066
Vehicle	62,883	25,462	37,421
Bad Debts	58,671	8,603	50,068
Miscellaneous	2,496	1,342	1,154
Share based payments	48,865	-	48,865
	$ 2,275,373	$ 2,233,208	$ 42,165

Wages, benefits, and contract employee expense within general and administrative expense fluctuate given functional activity and allocation to other functional expenses, i.e., costs of goods sold, sales and marketing, and research and development. COVID-19 and travel restrictions has directly and indirectly impacted other functional activities, which has increased the wages, benefits, and contract employee expense in the current fiscal year.

During the current fiscal year, the Company temporarily laid off certain employees given the impact of COVID-19 on projects and revenues. Also, within wages, benefits and contract employee expense is severance compensation related to employees terminated. Throughout the current fiscal year, the Company also rationalized other non-essential expenses, thereby reducing general and administrative expenses.

With the change of Distributors in the Kingdom of Saudi Arabia, certain expenses, i.e., consulting fees, repairs and maintenance and vehicles expenses, increased. It is expected that these costs will, at least for the near-term, increase as the Company re-enters the Middle East market and supports it new global distributor, and as its Distributor now has three dedicated consultants working on Powerwave versus two in the comparative period.

Other Income (Expenses)

Financing costs of $18,413 (2020 - $12,296) includes interest expense, for both reporting quarters that principally relates to interest on insurance financing contracts. In addition, interest expense of $15,717 relates to a lease liability (i.e., IFRS 16) that is included in the current reporting period only.

Government grants of $268,468 (2020 - $147,864) was recorded and includes the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") non-refundable grants.

Financing income of $17,180 (2020 - $24,119) includes interest earned for the reporting quarters. Interest earned relates to the investment of funds principally from the private placement that was closed and announced on July 17, 2018, and cash inflows since that private placement.

Foreign exchange loss of $16,384 (2020 – loss of $12,975) 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 year ended August 31, 2021 and 2020:

	Year ended August 31, 2021	Year ended August 31, 2020
Net loss	$ (1,374,357)	$ (660,183)
Changes to net loss not including cash		
Amortization and depreciation	269,857	370,528
Impairment to property, plant and equipment, and inventory	59,976	216,079
Share-based payments	48,865	-
Impact of foreign translation	9,051	1,226
Gain on disposal of property, plant and equipment	(9,052)	-
Interest expense	18,413	12,296

	Year ended August 31, 2021	Year ended August 31, 2020
Changes to working capital		
Change in trade and other receivables	571,025	(169,901)
Change in inventory	38,431	4,493
Interest paid	(18,413)	(12,296)
Change in prepaid expenses	15,574	(34,068)
Change in unearned revenue	(1,598)	(185,460)
Change in trade and other payables	(83,318)	(23,839)
Cash from operating activities	$ (455,546)	$ (481,125)

Cash used in operating activities were negatively impacted by the net changes in non-cash working capital items (see Liquidity section on page 18, below).

Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for the fiscal year ended August 31, 2021 increased by $714,174 to $1,374,357 (or basic and diluted net loss of $0.016 per share), compared to the net loss of $660,183 (or basic and diluted net loss of $0.008 per share) for fiscal 2020.

The comprehensive loss for the fiscal year ended August 31, 2021 was $1,376,143 and was impacted by a foreign translation loss of $1,786 on its foreign, wholly owned, subsidiary in the United States versus the reported comprehensive loss of $660,183 reported in fiscal 2020 that recorded a foreign exchange gain of $814.

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 fiscal year ended August 31, 2021 and 2020:

	Year ended August 31, 2021	Year ended August 31, 2020
Net loss	$ (1,374,357)	$ (660,183)
Items not affecting cash		
Amortization and depreciation	269,857	370,528
Interest and tax expense	19,602	13,574
EBITDA	$ (1,084,898)	$ (276,081)
EBITDA loss per share	$ (0.012)	$ (0.003)

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

CONSOLIDATED RESULTS – THREE MONTHS ENDED AUGUST 31, 2021

Revenues

For the fourth quarter ended August 31, 2021 revenues amounted to $415,583, decreasing $279,890 over the comparative quarter ended August 31, 2020 that recognized revenues of $695,473. Revenues related to Powerwave stimulations for the fourth quarter 2021 totalled $357,314, decreasing $325,763, compared to $683,077 in the comparative quarter. Powerwave stimulation revenues for the reporting quarter for the Middle East were $325,755 (2020 - $656,492) and below expectations due to lower than anticipated Distributor activity primarily in the Kingdom of Saudi Arabia. North American stimulation revenues totalled $31,559 (2020 - $4,949) and remain behind historical norms, were negatively impacted by revenue recognition related to a United States E&P client and GSA, COVID-19 and E&P constrained operating budgets. It is believed, barring any further COVID-19 and E&P supply chain issues, that with the recent US based business development activities if, and when the projects are completed and revenues may be able to be recognized, that revenues may exceed recent historical figures.

Other Technology, and specifically Primawave, revenues totaled $58,269 (2020 - $nil).

Geographically, $51,763 (2020 – $17,465) in revenue was generated in North America, $325,755 (2020 - $656,492) in the Middle East, and $nil (2020 - $21,515) in other international geographic regions. The geographic revenues are more specifically described as follows:

> **North America**: Revenues in North America increased by $34,298 to $51,763 (2020 - $17,465). Powerwave stimulation revenues in North America totalled $31,559 (2020 - $4,949), reflecting a small recovery from COVID-19. It is expected with the recent announced Powerwave well stimulation packages, that activities and revenue could increase significantly. Other Technology revenues totalled $58,269 (2020 - $12,516).
>
> **Middle East**: Revenues in the Middle East decreased by $330,737 to $325,755 (2020 - $656,492). All revenues in both periods related to Powerwave stimulation revenues in the Middle East. Powerwave stimulation revenues in Middle East were below volume expectations due to lower-than-expected Distributor activities primarily in the Kingdom of Saudi Arabia. With the establishment of a new Distributor in the Kingdom of Saudi Arabia, it may take several quarters before the Company sees prior year's baseline Powerwave revenues return in the Kingdom of Saudi Arabia.
>
> **Other International**: Revenues outside of North America and the Middle East was $nil (2020 - $21,515). All revenues in both periods related to Powerwave stimulation revenues.

Costs of Sales

Cost of sales for the fourth quarter ended August 31, 2021 were $27,471 or 6.6% of revenues (2020 - $2,086 or 0.3% of revenues). The higher cost of sales on the current reporting quarter relate to more well modelling and Powerwave tool refurbishing being completed. The cost of sales of $27,471 is all associated with Powerwave stimulations.

Expenses

General and administrative, amortization and depreciation, sales and marketing, and research and development expenses for the fourth quarter ended August 31, 2021, decreased by $30,117 to $745,430, compared to $775,547 for the quarter ended August 31, 2020.

The changes within general and administrative, amortization and depreciation, sales and marketing, and research and development expenses for the quarter ended August 31, 2021 were principally a result of the following changes:

i) General and administrative expenses decreased by $36,812 (August 31, 2021 - $543,559; August 31, 2020 - $580,371) with the following noted variances:

	Three months ended		
	August 31, 2021	August 31, 2020	Variance
Wages, benefits, & contract employee	$ 274,950	$ 268,082	$ 6,868
Office	85,236	112,216	(26,980)
Professional fees	2,613	72,832	(70,219)
Public company & listing fees	20,725	58,335	(37,610)
Consultants	111,025	64,837	46,188
Repairs and maintenance	16,778	13,420	3,358
Vehicle	14,518	5,041	9,477
Bad Debts	(522)	(14,401)	13,879
Miscellaneous	51	9	42
Share based payments	18,185	-	18,185
	$ 543,559	$ 580,371	$ (36,812)

During the fourth quarter 2021, the Company hired additional field staff in the United States for advanced training and in preparation for the recently obtained purchase orders.

With the change of Distributors in the Kingdom of Saudi Arabia, certain expenses, i.e., consulting fees, repairs and maintenance and vehicles expenses, increased. It is expected that these costs will at least for the near-term continue to be higher as the Company re-enters the Middle East market and supports it new global distributor.

ii) Amortization and depreciation expense decreased by $31,100 to $55,428 from the comparative period. Depreciation and amortization expense were impacted by the adoption of IFRS 16, which required $26,034 in additional depreciation expense on right-of-use assets. Offsetting this increase was a decrease in amortization and depreciation related to property, plant and equipment of $18,301.

iii) Research and development expense decreased by $22,421 to $20,889. The changes in research and development expenses relates to decreases in materials consumed of $5,390, decreases of $7,500 in external engineering consulting, and decreases in fully built-up wages of $9,530 allocated for the quarter.

v) Offsetting the above expense decreases, sales and marketing expenses increased by $60,216 to $125,554. With certain COVID-19 travel restrictions beginning to lighten, the Company had an increase of $14,591 in marketing and advertising expense as the Company began supporting its new global Distributor, and an increase of $45,066 that relates to an allocation of fully built-up labour costs.

During the fourth quarter 2021, the Company re-hired certain sales and marketing employees to assist the Company's new global Distributor in marketing Powerwave.

Other Income (Expenses)

Financing costs of $6,598 (2020 - $2,062) includes interest expense, for both reporting quarters that relates to interest on insurance financing contracts. In addition, interest expense of $6,329 relates to lease liability (i.e., IFRS 16) is included in the current reporting quarter only.

Government grants of $88,655 (2020 - $147,864 nil) was recorded and includes the CEWS and CERS non-refundable grants.

Financing income of $1,320 (2020 - $2,271) 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 $11,945 (2020 – loss of $45,140) 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 fourth quarters ended August 31, 2021 and 2020:

	Three months ended			
	August 31, 2021		August 31, 2020	
Net Income (loss)	$	(257,022)	$	20,773
Changes to net loss not including cash				
Amortization and depreciation		55,428		86,528
Share-based payments		18,185		-
Interest expense		6,598		2,062
Impairment		-		-
Gain on disposal of property, plant and equipment		(4,974)		-
Impact of foreign translation		(13,504)		16,525
Changes to working capital				
Change in trade and other receivables		53,059		4,613
Change in prepaid expenses		40,293		51,330
Change in inventory		13,105		(33,857)
Change in trade and other payables		2,495		(43,535)
Change in deposits		-		6,476
Interest paid		(6,598)		(2,062)
Change in unearned revenue		(13,581)		(300,236)
Cash from operating activities	$	(106,516)	$	(191,383)

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 Income (Loss) and Comprehensive Income (Loss), and Income (Loss) Per Share

The net loss for the fourth quarter ended August 31, 2021, was $257,022 (or $0.003 basic and diluted income per share) compared to reported net income of $20,773 (or $0.0002 basic and diluted income per share) for the quarter ended August 31, 2020.

The comprehensive income for the fourth quarter ended August 31, 2021 was $255,841 and was impacted by a foreign translation gain of $1,181 on its foreign, wholly owned, subsidiary in the United States versus the reported comprehensive income of $18,097 reported in the comparative reporting quarter ended August 31, 2020.

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

The following table sets out the Company's EBITDA and EBITDA per share for the fourth quarters ended August 31, 2021 and 2020:

	Three months ended			
		August 31, 2021		August 31, 2020
Net Income (Loss)	$	(257,022)	$	20,773
Items not affecting cash				
Amortization and depreciation		55,428		86,528
Interest and tax expense		6,590		2,060
EBITDA	$	(195,004)	$	109,361
EBITDA per share	$	(0.0022)	$	0.0012

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

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.

		4th Qtr Aug 31 '21		3rd Qtr May 31 '21		2nd Qtr Feb 28 '21		1st Qtr Nov 30'20		Fiscal 2021
Fiscal 2021										
Revenue	$	415,583	$	371,281	$	373,118	$	445,760	$	1,605,742
Net Income (Loss)	$	(257,022)	$	(353,977)	$	(415,839)	$	(244,782)	$	(1,271,620)
Basic & diluted income (loss) per share	$	(0.0029)	$	(0.0040)	$	(0.0047)	$	(0.0028)	$	(0.0145)
Common shares outstanding										
Weighted average shares outstanding		87,572,573		87,572,573		87,572,573		87,572,573		87,572,573

		4th Qtr Aug 31 '20		3rd Qtr May 31 '20		2nd Qtr Feb 28 '20		1st Qtr Nov 30'19		Fiscal 2020
Fiscal 2020										
Revenue	$	695,473	$	702,259	$	706,040	$	700,685	$	2,804,457
Net Loss	$	20,773	$	(16,562)	$	(419,612)	$	(244,782)	$	(660,183)
Basic & diluted loss per share	$	0.0002	$	(0.0002)	$	(0.0048)	$	(0.0028)	$	(0.0075)
Common shares outstanding										
Weighted average shares outstanding		87,572,573		87,572,573		87,572,573		87,572,573		87,572,573

Note 1: All amounts in Canadian dollars except share data

SUPPLEMENTARY INFORMATION

Selected Annual Information

The following is selected annual consolidated financial information from Wavefront's audited financial statements for each of the three most recently completed years ended August 31. This information should be read in conjunction with the applicable interim unaudited and annual audited financial statements and related notes thereto.

		2021		2020		2019
Revenues	$	1,605,742	$	2,804,457	$	3,630,317
Net loss	$	(1,374,357)	$	(660,183)	$	(433,489)
Basic and diluted loss per share	$	(0.016)	$	(0.008)	$	(0.005)
Weighted average number of common shares outstanding[1]		87,572,573		87,572,573		87,540,244
Working capital	$	840,506	$	2,038,835	$	2,486,612
Total assets	$	2,420,490	$	3,371,498	$	4,175,964
Total long term financial liabilities	$	418,749	$	nil	$	nil
Total liabilities	$	1,085,023	$	708,754	$	853,850
Shares outstanding at August 31[1]		87,572,573		87,572,573		87,540,244

Note 1: In Canadian dollars, except share data

LIQUIDITY AND CAPITAL RESOURCES

Assets and Liabilities

Total assets decreased by $951,008 to $2,420,490 from the prior year end, the changes of which principally relates to the decrease of $615,778 in cash and cash equivalents, which $455,546 is attributed to cash used from operations, $89,149 relates to the principal repayment of the lease, and $75,095 related to the purchase of Powerwave tools and testing equipment for the Kingdom of Saudi Arabia.

The decrease in trade and other receivables of $571,025, is a function of reduced revenues being recognized throughout fiscal 2021, and the ability of the Company to collect on monies owed more rapidly.

The net book value of property, plant and equipment declined by $45,252, and was principally a result of amortization and depreciation expense of $142,747. Offsetting the of amortization and depreciation was the addition of $75,095 related to the purchase of Powerwave tools and testing equipment for the Kingdom of Saudi Arabia. Non-current assets were also impacted by the addition of a new right-of-use asset in the amount of $520,675 that was depreciated throughout the year by $123,394.

Liabilities

Total liabilities increased by $376,270 from the prior year-end to $1,085,023. Of the changes in liabilities, the principal cause of the increase relates to the addition of a new lease liability with an initial recorded value of $520,675 that was reduced by $89,149 as a result of payments made. Within non-current liabilities is an associated lease inducement, initially recorded value of $29,660 as "other accrued liabilities, which was also depreciated throughout the year.

Offsetting the aforementioned increases in liabilities were decreases in trade accounts payable and other accrued liabilities of $73,926. Trade payables had a recorded value of $186,466, with accrued liabilities of $298,586.

Unearned revenues principally relate to timing difference associated with payments received ahead of revenue recognition, but moreover, the remittance of monies paid by international Distributors in excess of what the Company believes to be the correct foreign tax withholding amounts. Changes within unearned revenue, includes the recognition of $59,930 of contract liabilities from the prior fiscal year, which was almost equally offset by other differences in payments by Distributors.

Liquidity

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

	As at Auguts 31, 2021	As at Auguts 31, 2020	Change
Current assets	1,506,780	2,747,588	(1,240,808)
Current liabilities	(666,274)	(708,753)	42,479
Working capital[1]	840,506	2,038,835	(1,198,329)

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

Changes in working capital relate to the net decreases in current assets of $1,240,808 (i.e., decreases in cash and cash equivalents of $615,778, decreases in trade and other receivables of $571,025, decreases in inventory of $38,431, and decreases in prepaid expenses of $15,574). Working capital was also impacted by decreases in current liabilities of $42,479 (i.e., decreases on unearned revenue of $1,598, decreases on accounts payable and accrued liabilities of $73,926, which was offset by increases in current lease liabilities of $33,045, the latter of which, is related to the new office and warehouse lease in Edmonton).

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. Working capital has also been impacted, and thus, why quarter over quarter there are large variances, as Distributor clients have been delaying paying large receivables owing to Wavefront.

With the direct and indirect impacts of 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.

However, 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.

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 December 6, 2021, Wavefront had $1,614,339 of cash and cash equivalents on hand. Of the cash on hand, Wavefront has $837,152 in high interest savings accounts with annualized interest rate of 1.7%. Cash on hand as at December 6, 2021 was positively impacted by the exercise of 3,437,592 common share purchase warrants at $0.20 providing the Company with gross proceeds of $687,518, and the payment on several larger invoices from its Distributors for US $150,000. Cash and cash equivalents on hand as at December 6, 2021 was $414,446 more than reported as at August 31, 2021.

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 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.

Although the Company had 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. As disclosed in the Warrants Outstanding section, page 30, the Company has obtained subsequent gross proceeds of $687,518 from share purchase warrant exercises, and as disclosed in the Financing section, page 19, the Company subsequently secured $12,000,000 equity Facility. 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.

COVID-19 has not materially impacted Wavefront logistics in procuring parts or inventory to manufacture or refurbish Powerwave tools or to be consumed in undertaking any Powerwave jobs. Nor has COVID-19 directly impacted the Company's logistics and ability to send Powerwave tools to potential job locations or to provide the requisite labour or modelling to undertake a Powerwave stimulation or workover or IOR/EOR job.

However, during the reporting period, it has been observed that COVID-19 has impacted many manufacturing and service providers, such that parts and inventory items required to keep coiled tubing and wireline rigs running were not readily available, and the supply of acids were not always available. These potential inputs are the responsibility of other service companies, the end user or the E&P companies. Despite end user or E&P demand across multiple geographic regions, the temporary lack or scarce availability of coiled tubing and wire line rigs, and acids has impacted the timing of Wavefront jobs, with many planned and booked jobs rescheduled multiple times. The indirect and temporary lack or scarce availability of coiled tubing and wire line rigs, and acids to end users or E&Ps, has reduced Wavefront revenues, and thus, impacted Wavefront net losses and EBITDA.

In the past the Company has successfully used brine water or equivalent stimulation fluids in well stimulations and workovers. However, the Company has been unsuccessful in convincing end user or E&P engineers, in certain geographic regions, to replace acids with brine water or equivalent stimulation fluids.

To bolster the Company's ability to withstand the impacts of the COVID-19 pandemic, the Company has significantly reduced discretionary spending and capital expenditures. As well given the potential negative impact to future operating cash flows, the Company has commenced accessing the following government economic support mechanisms:

i) The Company has continued to access non-refundable grants from the CEWS program. CEWS was established in March 2020 to support employers and their employees, during the COVID-19 pandemic by providing a wage subsidy with respect to eligible remuneration paid by eligible employers who have experienced a drop in revenue related to COVID-19. CEWS is administered by the Canada Revenue Agency ("CRA") on a period-by-period basis, with each period spanning four weeks. There is no maximum dollar amount a business can receive from the program; however, there is a maximum limit on the amount of subsidy a business can receive for a single employee's weekly wages. The subsidy amount for each employee is calculated by determining the CEWS rate (which is a function of revenue declines, and for Wavefront calculated on the cash basis) and multiplying by eligible employee wages. The CRA recently extended the CEWS program till October 24, 2021, and the Company will continue to access the program if it qualifies.

   During the 12 and three months ended August 31, 2021, the Company was not eligible for the non-refundable grants in every four-week period, but was still able to access $216,531 and $60,519, respectively (2020 - $147,864 and $147,864, respectively) in CEWS non-refundable grants. Future CEWS non-refundable grants will be dependent on revenue declines and individual employee limits.

ii) During the fiscal year 2021, the Company accessed the new CERS program. CERS is administered by CRA for businesses that have seen a decline in revenues (i.e., same calculation and measurements as the CEWS program) due to the COVID-19 pandemic and may be eligible for a subsidy of up to 65% per cent of eligible business property expenses (i.e., base rent, operating expenses, property insurance, utilities, property and similar expenses and ancillary fees such as cleaning expenses) up to a maximum of $75,000 per period. The CERS program provides support directly to tenants instead of property owners and allows companies to make retroactive claims. The CRA recently extended the CERS program till October 24, 2021, and the Company will continue to access the program if it qualifies.

   During the 12 and three months ended August 31, 2021, the Company was not eligible for the non-refundable grants in every four-week period, but was still able to access $51,937 and $28,136, respectively (2020 - $nil and $nil, respectively) in CERS non-refundable grants. Future CERS non-refundable grants will be dependent on revenue declines and the calculated eligible rent amounts.

iii) During the second quarter 2021, the Company completed an application for a loan, which may be eligible for forgiveness, for its US subsidiary, Wavefront Technology Solutions USA Inc. to help keep its workforce employed during the COVID-19 pandemic. The loan is administered by the Small Business Administration ("SBA"), under the Paycheck Protection Program, and has "three draws" or stages to the program. The Company made a loan application of US $27,420 under the "first draw" of the Paycheck Protection Program.

Although the Company believes it qualified for the first draw SBA Paycheck Protection Program, the Company obtained notice that it was not able to obtain SBA approval given its USA subsidiary's parent company is a Canadian resident. The Company believes it is ineligible for the "second draw" of the program, and thus, has abandoned its applications under the SBA program.

As a result of declining USA Powerwave revenues and not being able to access the SBA Paycheck Protection Program, the Company, subsequent to the reporting period, has reduced its USA workforce.

The Company has or will categorize the above grants or subsidies and loans by their nature (i.e., as cash, a receivable or loan) on its Consolidated Statement of Financial Position. Non-refundable contributions made under the various programs are recorded as "Government Assistance" under Other Income within the Statements of Net Loss and Comprehensive Loss 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.

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

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

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	$ 294,066	$ 90,649	$ 119,074	$ 84,343	$ -
Lease liabilities	552,283	119,600	250,358	182,325	-
	$ 846,349	$ 210,249	$ 369,432	$ 266,668	$ -

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

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

RISK AND UNCERTAINTIES

The Company remains confident in its abilities to achieve its long-term corporate objectives; however, like our competitors and other companies at similar stage of development, it is exposed to risks and uncertainties. The Company's risk assessment has identified, the currently known risks below, in alphabetical order.

The risks and uncertainties described in this MD&A are not the only ones the Company faces. Additional risks and uncertainties – that the Company is unaware of, that it currently believes are not material, and that may arise based on new development – may also become important factors that adversely affect Wavefront's business.

Ability to Manage Growth - Expansion into other geographical markets and targeted growth in the Company's business has placed, and is likely to continue to place, significant strains on the Company's administrative and operational resources and increased demands on its Management, internal systems, procedures and controls. If Wavefront experiences rapid acceptance of its technology suite, the need to manage such growth will add to the demands on Wavefront's Management, resources, systems, procedures, and controls. There can be no assurance that Wavefront's administrative infrastructure, systems, procedures and controls will be adequate to support Wavefront's operations or that Wavefront's officers and personnel will be able to manage any significant expansion of operations. If Wavefront is unable to manage growth effectively, Wavefront's business, operating results, and financial condition will be materially adversely affected.

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.

Climate Change Creates Both Risk and Opportunities – transitioning to a lower-carbon economy may present risks in the form of new environmental regulations, laws and policies that could increase the Company's costs or create potential for litigation.

Climate change is having impacts on investment decisions by governments, and debt and equity financiers. On one hand such new environmental regulations, laws and policies, and availability of capital may impact the Company's end users or E&P customers in their operations, their ability to obtain capital, and thus, the demand for Wavefront's products, services, and technologies.

However, on the other hand, Wavefront's products, services, and technologies may assist many end users or E&Ps customers achieve their environmental targets as Powerwave has been seen (compared to conventional tools) to reduce average operational time, thereby reducing CO_2 emissions, reduce average chemical consumption while increasing post-stimulation outcomes, and increase the time period between re-stimulation of the same well. Additionally, the Company's existing proprietary technologies may aid in CO_2 sequestration and geothermal operations. All these benefits could lead to additional selling features and revenues to Wavefront.

Commodity Markets - The marketability of the Company's products and services could be affected, directly or indirectly, by significant declines or volatile swings in, and / or sustained lower oil prices, which may adversely affect Wavefront's business, operating results, and financial condition.

Conflicts of Interest - Directors and officers of Wavefront may serve as directors of, or have shareholdings in, other reporting or private entities. To the extent that such other companies or entities may participate in ventures in which the Company may participate, the directors or officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The laws of Canada, applicable to the Company, provide that the directors of Wavefront must act honestly, in good faith, and in the best interests of Wavefront in resolving any conflicts that may arise, and all directors of Wavefront are aware of these fiduciary responsibilities. In determining whether or not the Company will participate in a particular venture, the directors will primarily consider the degree of risk to which the Company may be exposed, its financial position at that time and, depending on the magnitude of the venture and the absence of any disinterested directors, whether or not to subject any ventures in question to the shareholders of the Company for their approval.

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, inclusive the emergence of any new variants to Covid-19 or other similar virus, 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 or new variants or other virus 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. 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.

COVID-19 has impacted global supply chains, which not only impacts Wavefront, but other oilfield service providers and end users or E&P companies, in their ability to obtain third party products, services or equipment rentals required to perform work wherein the Company's products, services and technologies are used in a project. This can have a material adverse effect on the Company's business, results of operations and financial condition. It is currently unknown if, or when supply chain issues will be resolved.

There can be no assurance that this virus or another infectious illness will also not impact the Company's personnel and ultimately its operations.

Dependence on Management - The Company is dependent on a relatively small number of key employees, including, without in any way limiting the foregoing, the President and Chief Executive Officer and the Chief Financial Officer, the loss of any of whom could have a significant and material adverse effect on the Company.

Distributor Performance – The ability to fully commercialize depends on the satisfactory performance of Distributors and their subcontractors. If these third parties do not perform to acceptable standards on a Wavefront related project or even on a non-related project, the Company may lose out in future projects, thereby impacting revenue generation and profitability.

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 83.1% 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.

Environmental Matters – Currently the Company supplies and licenses oilfield and environmental remediation products and services therefore, there is the possibility that it will be subject to federal, provincial, and local laws and regulations regarding the environment. The Company may be subject to counterparty liability as its technology is used to inject fluids into the ground which may cause harm or inadvertently displace a contaminant plume from one location to another. Although management believes its safety procedures are appropriate and works under the guidance of clients, third party consultants, and contractors, the risk of offence or liability cannot be eliminated. Moreover, there can be no assurance that the Company will not be required to incur significant costs to comply with laws and regulations in the future. The past ownership of mineral oil and gas rights, however, may expose the Company to the environmental risks and liabilities associated with any other oil producer, plugging and abandonment liabilities associated with any other oil producer.

Government Regulations / Policy – The Company may be subject to, and adversely affected from time to time by changes in regulation and policy in the countries it is, or plans to be, operating in and such factors may create delays in project procurement and implementation that may result in the need for additional funding. Changes in regulations and / or policies may create increased overhead burdens, which may result in the Company not being competitive or sustainable.

Changes in regulations and / or policies, may impact the Company's end users or E&P companies, directly or indirectly, thereby, impacting the demand for Wavefront's products, services, and technologies, and thereby impacting the Company's revenues and potential profitability.

History of Earnings - The Company is an early-stage development company and does not have a consistent, long-term history of earnings, profit or return on investment. There is no assurance that it will earn sufficient revenues to continue to operate as a going concern or operate profitably or provide a return on investment in the future. The Company has no intention for the foreseeable future to pay dividends.

Information Technology and Disaster Recovery – The efficient operation of the Company's business is dependent upon computer hardware and software systems. These information systems may be vulnerable to security breaches by computer hackers and cyber terrorists. In addition, an unforeseen natural or manmade disaster could result in key information technology systems being compromised, damaged, or destroyed.

The Company has implemented security measures to maintain confidential and proprietary software, designs and information stored on or operating on the Company's information systems. However, these measures and technology may not be adequate due to the increasing volume and sophistication of potential cyber-attacks. The Company has also implemented backup and redundancy measures with respect to certain information technology systems. However, there is a risk that these measures may not adequately prevent data loss or theft or damage of proprietary information or software as a result of security breach or disaster. This could result in business disruption, decreased performance, or increased costs, and could have a material adverse effect on the Company's business, financial condition, results of operation, cash flows, or reputation. The Company maintains standalone cyber insurance; however, there can be no assurance that the type and / or amount of coverage will adequately cover any potential losses the Company may suffer.

International Business – The Company undertakes business internationally. Securing of such business introduces currency risks, credit risks, political risks, and other risks inherent to conducting business internationally. There can be no assurance that steps taken by Management to address these risks will eliminate any or all adverse effects and, accordingly, the Company may suffer losses.

Key Personnel – The Company's anticipated growth and expansion into new geographic areas and, ultimately, new applications for the technologies processes, may require additional employee expertise and may place increased demands on the Company's current resources and Management with respect to recruiting, training, budgeting, scheduling, and technical skills. These demands may require the addition of new Management and technical personnel and the development of additional expertise by existing personnel. A shortage of, or failure to retain, such personnel or develop or acquire, or mobilize competent, highly qualified staff could adversely affect Company's ability to compete for new projects or revenue streams, and the Company's ability to execute on existing project commitments and maintain existing customers.

Market Acceptance – Powerwave's acceptance will be dependent on the Company consistently demonstrating the benefits of its core technology under a variety of field and reservoir conditions. There can be no assurance that commercial acceptance of the Company's products and services will be achieved within a reasonable timeframe and with the financial resources available to the Company now or in the future.

Need For Additional Financing – The Company may require additional financing in order to make further investments in the technology or to fund unanticipated demand, to take advantage of unanticipated opportunities, to fund the tool research and development, Powerwave tool manufacturing, to fund the Company as a going concern, or to fund the Company through a protracted commercialization to profitability stage. There can be no assurance that additional financing will be available to the Company on acceptable terms or in an acceptable form, or at all. Any financing may be affected by changes in Wavefront's credit rating, general equity market conditions, the volatility of Wavefront's shares, interest rates, and valuation of available collateral. Such financing, if available, might have the effect of diluting the holdings of existing shareholders.

Operational Management Practices – For Wavefront to succeed, its internal process, including tool manufacturing, project management, billing and collections, administrative overhead, and appropriate insurance must be effectively managed.

Additionally, the ability to obtain accurate and timely reporting from its Distributors may impact reported revenues and cash flows. The Company currently has a high concentration in Distributor revenues, which currently comprises 93.9% of total revenues.

Delays in billings and customer payments may require the Company to increase working capital, which may or may not be available. High administrative overheads may result in the Company not being competitive or sustainable.

Patents – The Company's success will depend, in part, on its ability to enforce and defend its patents, maintain trade secret protection, and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights. Wavefront has received numerous patents, and is actively pursuing applications for broader international patent protection. Furthermore, there can be no assurance that others will not independently develop similar products, which duplicate any of the Company's technology or products or, if patents are issued to Wavefront, design around those patented products developed by the Company.

Powerwave Technology Risks – Although the results of research, development, and field installations have demonstrated Wavefront's Powerwave technology to be viable, there is no guarantee that Powerwave will be commercially successful or be applied successfully in all cases. Although the Company believes there will be many applications for its products and services and that the anticipated market will be receptive and expand, these beliefs may prove to be incorrect for a variety of reasons, including competition from other products and the degree of commercial viability of its products. The possibility of a Powerwave project not providing the intended benefits, due to unforeseeable factors, could also impede the acceptance of the Powerwave in the marketplace. Any failure of the Powerwave process to generate the intended benefits even in isolated circumstances could have an adverse effect on or protracted market acceptance.

Product Liability, Warranties and Uninsured Risks – Although the Company maintains insurance to protect against certain risks in such amounts as it considers commercially reasonable, its insurance will not cover all of the potential risks associated with its operations. The sale of products and services may expose the Company to warranty costs or other potential liability resulting from such use. Although product liability insurance is currently maintained, the obligation to pay a claim in excess of insurance could have a material adverse effect on the business, financial condition, and future prospects of the Company. Due to the magnitude of insurance premiums and as the exposure of the Company to a catastrophic total loss of the tools is limited to certain situations, which the Company believes has a low probability of occurring, the Company has currently decided to self-insure its tools. Should a catastrophic loss of tools occur it would have a material adverse effect on the business, financial condition, and future prospects of the Company.

Rapid Changes / Competition – Other companies have developed, and may be developing, or may commercialize alternative technologies faster than the Company. Such companies may develop products that are as, or more, effective than those developed by the Company and there can be no assurance that research and development by others will not render the Company's technologies obsolete or non-competitive.

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.

Reliance on Third Parties and Future Collaboration – The Company has, and is anticipated to enter into, various arrangements with agents, collaborators, licensors, licensees and others for the research, development, testing, manufacturing, and marketing of its products and services. There can be no assurance that the Company will be able to establish such collaborations on favorable terms, if at all, or that its current or future collaborative arrangements will be successful.

Trade Relations – The Company markets its products and services in the global marketplace. The Company's manufactured products and personnel's access to these markets could be from time to time affected, directly or indirectly, by changes in governmental relations in the countries in which it operates in or plans to operate in. Wavefront's business, operating results, and financial conditions may be materially adversely affected by changes in trade relations.

Volatility in Oil and Gas Industry – 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

As an OFS provider, Wavefront is engaged in enhancing oil and gas production. The Company is committed to ensuring that all stakeholders are aware of both their responsibility for safety matters and protection of the environment and how integral those matters are to Wavefront's business. These risks are managed by executing policies and standards that are designed to comply with or exceed government regulations and industry best practices. In addition, Wavefront maintains a system, in respect of our operations, that identifies, assesses, and controls safety, security, and environmental risk and requires regular reporting to Senior Management and the Board of Directors. The Safety, Health and Environmental Affairs Operational Committee of the Company provides recommended environmental policies for approval by our Board and oversees compliance with government laws and regulations. Monitoring and reporting programs for environmental, health and safety performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. Contingency plans are in place for a timely response to an environmental event.

The Company is exposed to physical risk that may arise due to Powerwave's potential damage of a well, and litigation risks related to the use of Powerwave to inject fluids into the ground which may cause harm to overlying geological strata. These inherent risks may also create a reputational risk to the Company and its suite of technologies.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates are disclosed in Note 3, "Significant Accounting Policies" and Note 5, "Critical Accounting Estimates and Judgments" of the Consolidated Financial Statements for the year ended August 31, 2021.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies are disclosed in Note 4, "Changes In Accounting Policies And New Standards Issued But Not Yet Adopted", of the Consolidated Financial Statements for the year ended August 31, 2021.

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 83.1% (2020 – 94.3%) 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 related to the Company's two principal Distributors in Saudi Arabia and Kuwait is also mitigated by the Company's, subsequent to year end, acquisition of Export Development Canada ("EDC") export credit insurance, wherein 90% of insured losses, up to policy maximums, are covered against the risk of non-payment caused by a variety of events.

Credit risk, with respect to accounts receivables may 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.

DESCRIPTION OF SHARE CAPITAL

As at August 31, 2021, 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	2,800,000	
		7,141,333
Fully diluted share capital:		94,713,906

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.

As at December 6, 2020, Wavefront's number of issued and outstanding shares is 91,010,165.

Market for Securities

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

Warrants granted during the period

No warrants were granted during the reporting quarter.

Warrants outstanding

As at August 31, 2021

Date Granted	Expiry Date	Number of Warrants	Exercise Price per Share $
July 17, 2018	July 17, 2021	628,741	0.45
July 17, 2018	July 17, 2021	3,712,592	0.20
		4,341,333	

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 Venture Exchange ("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.

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.

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. 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.

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 to be less than the "Discounted Market Price" (as defined in the policies of the TSX Venture Exchange), provided that the exercise price shall not be less than $0.05 per share. All stock options awarded are exercisable for a period of up to ten years and vest, at a minimum, in equal tranches at three-month intervals over a period of eighteen months.

Options outstanding

Date Granted	Expiry Date	Number of Incentive Stock Options	Exercise Price per Share $
September 27, 2021	September 27, 1931	1,725,000	0.28
August 4, 2016	August 4, 2026	1,000,000	0.17
January 6, 2017	January 6, 2027	75,000	0.35
		2,800,000	

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.

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 December 3, 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).