ENVIRONMENTAL STEWARDSHIP THROUGH SMART INNOVATION

**Wavefront Technology Solutions Inc.**

**Quarterly Report**

**For the third**

**Quarter ended**

**May 31, 2022**

***The following discussion and analysis of financial results should be read in conjunction with the unaudited financial statements and the accompanying notes for the quarters ended May 31, 2022 and 2021 and is based on information available to July 27, 2022. Additional information on Wavefront Technology Solutions Inc.'s (the "Company" or "Wavefront") is available on SEDAR at www.sedar.com.***

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

### MANAGEMENT'S RESPONSIBILITY

Management has prepared this Management's Discussion and Analysis ("MD&A"). The MD&A is based upon Wavefront Technology Solutions Inc.'s (the "Wavefront" or "the Company") financial results prepared in accordance with International Financial Reporting Standard ("IFRS"). The MD&A primarily compares the unaudited financial results for the third quarter ended May 31, 2022, and 2021. 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 Company's IFRS financial records (also see the section titled "Controls and Procedures" page 24). The financial information presented throughout this MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes for the quarters ended May 31, 2022 and 2021, as well as the audited consolidated financial statements for the years ended August 31, 2021, and 2020 and the related notes.

Unless otherwise indicated, all amounts shown below are in Canadian dollars. Additional information regarding our Company is available on SEDAR, www.sedar.com. Such additional information is not incorporated herein unless otherwise specified and should not be deemed to be made part of this MD&A.

The Audit Committee of the Board of Directors, whose members are independent as defined in National Instrument 52-110; met to review the unaudited condensed consolidated interim financial statements with Management and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors approved the condensed consolidated interim financial statements on July 27, 2022.

### 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 by the chief decision maker, 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 fluid flow technology marketed under the brand name "Powerwave®." Powerwave is utilized in two primary areas by exploration and production ("E&P") companies - optimized oil and gas well stimulation and Improved/Enhanced Oil recovery ("IOR/EOR"). For well stimulation, 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, potentially assisting 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 increase estimated ultimate oil recovery.

Wavefront operates in the global marketplace dealing directly with E&P companies and through a network of international distributors and agents.

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 are impeded, directly impacting 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 remove sand fill. Well stimulation to address severe formation damage is accomplished through various techniques, but most commonly, acids are pumped into the rock formation to restore a well's 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 in achieving their environmental targets as Powerwave® has been seen (compared to conventional tools) in reducing average operational time, thereby reducing $CO_2$ emissions, reducing average chemical consumption while increasing post-stimulation outcomes, and increasing the period between re-stimulation of the same well.

IOR/EOR targets stranded or by-passed oil in a reservoir that is difficult to mobilize and produce due to various physical limitations. An IOR/EOR project involves a fluid injection into the reservoir to mobilize by-passed or stranded oil. The fluids injected from a dedicated injection well are meant to "sweep" oil to adjacent producing wells. Physical limitations associated with IOR/EOR applications such as preferential fluid channeling or fluids travelling the least resistance paths often lead to inefficient oil recovery. Based on multiple global field results, Powerwave-aided IOR/EOR programs have improved oil recovery, slowed the rate of oil production decline, and stabilized water injection. IOR/EOR projects are usually 12 months or longer in duration.

Critical components of Wavefront's business model are geographic diversification while focusing on the higher margin / higher rate of capital employed by leveraging the Company's Powerwave® technology. This means the Company will work on projects with E&Ps and 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 its various geographic markets.

Wavefront thus works through distribution, agency, or representation ("Distributor") agreements that encompass representation in 16 countries (but are active in this reporting period in 9 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. Thus, the Distributor is responsible for the execution and costs of work performance with their customers, including their customers' satisfaction with its 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 established pricing to end-users or E&Ps in each country. Instead, they offer 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 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® modelling, 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 the 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 of 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 its 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 a reality. For most E&Ps, multiple groups must satisfy various criteria before approving a field trial and ongoing 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 or 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, the reservoir and production engineering teams must also be convinced. As such, marketing Powerwave® to end-users is a multi-pronged approach that 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 wellbore and geological structure; and ii) design patents covering 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. Still, it is protected by its licenses, non-compete and non-circumvent agreements, and 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 properly operate Powerwave® tools. A proprietary model details predictive outcomes and operating protocols for Powerwave® well stimulations related to specific reservoir conditions. In certain geographic regions, the proprietary model may be more integral to the Company's current business than its patents. As Distributors essentially re-sell to their customers, Wavefront provides training for Distributor personnel in the use of Powerwave® tools. However, all Powerwave® modelling and job programming are tightly controlled and performed only by certain Wavefront personnel at the Company's head office in Edmonton, AB.

Wavefront endeavours to continuously develop new technologies and seek new patents, and as such, the Company's intellectual property portfolio will continue to evolve.

## OUTLOOK

While the recent highs in oil prices have bode well for record profits by major oil companies, and there are some positive signs of improved global drilling activities, the well stimulation market remains stagnant in the geographical regions the Company and its distributors serve. The Company remains guarded about its growth prospects in the near term. Until uncertainty is removed from client operations and clients have consistent well stimulation campaigns, Wavefront may experience a continued period of revenue contraction.

In the fourth quarter of 2021 and the first quarter of 2022, Wavefront saw new opportunities evidenced by multiple well stimulation packages awarded by various US-based clients; however, for numerous reasons, these well stimulation packages have seen sporadic activities, thus, negatively impacting revenue. In previous Company disclosures, Wavefront identified supply chain issues related to equipment shortages, inflation in tubular goods, and shortages of crucial equipment and consumable materials that were impacting activity levels and, thus, Wavefront's near-term business opportunities. Much of these issues remain unresolved. Further, many E&Ps have been refraining from ramping up production; instead, opting to return cash to shareholders through dividends, debt repayment and share buybacks. This also impacts the volume of well stimulation work conducted by the E&Ps.

Moreover, the geopolitical situation in Eastern Europe intensified with Russia's invasion of Ukraine on February 24, 2022. The Russian war in Ukraine continues to evolve as military action proceeds, and Western sanctions are imposed, exacerbating the ongoing global economic challenges, including sanctions against the importation of Russian crude oil, gas, and liquefied natural gas ("LNG"); foreign exchange implications; rising inflation; and additional supply chain issues.

Collectively, all the headwinds the Company is currently experiencing in the marketplace make it difficult to pinpoint when it will experience consistent, well stimulation work from clients.

With the broadening move towards decarbonization associated with human-induced effects on climate change, E&Ps and OFS companies must adapt and move outside of traditional oilfield services to sectors in the low-carbon space, as evidenced by Occidental Petroleum agreeing on net-zero oil created from captured atmospheric $CO_2$ and a $CO_2$ sequestration project in Louisiana.[1]

Given the energy sectors' ESG and $CO_2$ management needs, Wavefront has identified two areas in the low-carbon space where its existing proprietary technologies may play a pivotal role. The first area is $CO_2$ 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 (EOR); 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, eight thousand feet deep during $CO_2$-driven EOR or twelve thousand feet during salt cavern solution mining. Wavefront's Powerwave® has been broadly used globally in 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 $CO_2$ injection rates and $CO_2$ 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.

Wavefront's proprietary technology bundle includes fluid-driven tools for removing detritus materials often occurring in oil and gas production or injection wells. Such devices have been successfully used in traditional oil and gas operations. While geothermal wells have temperatures up to 325ºC (617ºF), several scale types are prevalent and often found in oil and gas wells. The Company's proprietary tools are currently designed to withstand elevated temperatures; therefore, they can be immediately used under such conditions. Wavefront and its global OFS distributor are currently evaluating opportunities to deploy Wavefront tools in European and North American geothermal operations. Given Wavefront's successful track record in wellbore cleaning, the Company is very confident of success in this potential new market.

Wavefront will continue to exercise disciplined operating costs and capital expenditure controls. Wavefront remains committed to strong project execution and best-in-class service. As client operating activities unfold, it will endeavour to generate solid gross profit margins across all market segments.

## 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 segments 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

[1] www.oxy.com/news, March 22 and 28, 2022 press releases

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 helpful to stakeholders concerning the development of the business.

In fiscal 2020, the Company's Distributor in Colombia completed four Powerwave Odyssey and four Powerwave SAN stimulations. Five Powerwave Odyssey stimulations remain to be completed from the initial ten well contracted programs granted to Wavefront's Distributor. The remaining Powerwave work and the installation of a dual Powerwave Dragonfly IOR/EOR system were delayed due to coronavirus ("COVID-19"), and the commencement of the project completion remains unclear.

In Kuwait, since entering into a new Exclusivity Agreement with Gulf Drilling and Maintenance Co. ("GDMC") for exclusive rights to Wavefront's Powerwave® related intellectual property, know-how and tools for the State of Kuwait, including the Al Khafji Joint Operations region (a common territory along the borders of the Kingdom of Saudi Arabia and the State of Kuwait), work has ebbed and flowed. Given the delays in activity in the State of Kuwait and faced with the potential early termination of the Exclusivity Agreement, the Company agreed to amend the guaranteed minimum aggregate consideration from US $75,000 to US $50,000 per month. The Exclusivity Agreement expires on August 31, 2022; however, Management is working towards an extension. The anticipated activity in Kuwait is not expected until the fourth calendar quarter of 2022 or the first quarter of 2023.

In the Kingdom of Saudi Arabia ("Saudi Arabia"), the growth of Powerwave-related technology has been hampered by the well stimulation budgets for the calendar year 2022 being lower than in recent years as more investment is being directed to drilling activities. Wavefront's local distributors are focusing current marketing efforts on the drilling and completions department of the National Oil Company ("NOC") as, in many cases, there are post-drilling stimulation activities that are suited to the benefits of Powerwave, including the use of Wavefront devices to extend coiled tubing reach in extended reach wells while simultaneously stimulating the wellbore.

During the second fiscal quarter, the Company, through a local Distributor, commenced initial well stimulation work with the NOC of the United Arab Emirates ("UAE"). Various NOC entities in the UAE operate in three distinct areas – onshore, islands, and offshore. The Distributors' initial Powerwave stimulation work has been completed in onshore extended reach horizontal wells. The Company and its various Distributors in the UAE are working to secure further work in all three functional areas of the NOC. We anticipate further uptake of Powerwave-related technology as the fiscal year progresses.

For the third quarter of 2022 (i.e., three-months ended May 31, 2022) recorded revenues amounted to $462,152 an increase of $90,871 from the comparative quarter (i.e., three-months ended May 31, 2021) revenues of $371,281. Of the revenues for the reporting quarter, $419,620 (May 31, 2021 - $354,079) relates to Powerwave stimulations, with $251,992 (May 31, 2021 - $335,862) of those revenues being derived from the Middle East, and $167,628 (May 31, 2021 - $18,217) from the United States. The decrease in Powerwave stimulations revenues in the Middle East is related to the termination of a distribution agreement wherein the former Saudi Arabian distributor guaranteed a minimum number of Powerwave stimulations, and the reduced aggregate minimum consideration from the Distributor in the State of Kuwait (see above). Additionally, there was a lower number of Powerwave stimulations than anticipated because of limited oil field access and marketing abilities and due to the change of distributors in Saudi Arabia.

Despite the $149,411 or 820.2% increase in USA Powerwave revenues for the third quarter 2022 (May 31, 2022 - $167,628; May 31, 2021 - $18,217) revenues were still negatively impacted by the client (i.e., individual exploration and production company or "E&P") focus, as well as the aforementioned supply chain issues. Additionally, the potential in US $500,000 revenues related to the General Services Agreement ("GSA"), which was announced on October 13, 2021, and still cannot be recognized, at this time, due to unforeseen, circumstances beyond the Company's control. It is the intent of the Company, at this time, to continue, in good faith, to work with the executive management of the E&P client to which the GSA was executed. Once the Company can recognize revenues, in accordance with IFRS, the Company will accordingly disclose any such recognition.

The Powerwave stimulation packages as announced in the fourth quarter 2021 and the first quarter 2022 commenced in the third quarter ended May 31, 2022. During the reporting quarter individual stimulations amounting to 15.7% of the announced Powerwave stimulation package were completed allowing the Company to record US $92,083 in revenues. Subsequent to the third quarter ending May 31, 2022, additional individual stimulations amounting to 11.0% of the announced Powerwave stimulation packages totalling US $55,705 were also completed.

Despite the strengthening of commodity prices, 73.3% of the announced Powerwave stimulation packages have yet to be completed due to the COVID-19 and related variants, indirect E&P supply chain issues, and various E&P decisions to reduce or delay both operating and capital expenditures in all markets and has negatively impacted Powerwave revenues.

All Powerwave stimulation package purchase orders remain valid; however, many E&P clients have provided commencement dates for remaining stimulations, only to have been in some instances postponed and rescheduled multiple times. The timeframes for remaining individual Powerwave stimulations to be completed remains uncertain, are beyond the Company's control and may continue to adversely impact Company revenues.

## Consolidated Results – nine-months ended May 31, 2022

### Revenues

Revenues for the nine-month period ended May 31, 2022 totalled $1,425,535, an increase of $235,376 from the comparative period revenues of $1,190,159. Revenues related to Powerwave stimulations for the nine-months ended May 31, 2022 totalled $1,341,543 (2021 - $1,114,240). Powerwave stimulation revenues for the reporting quarter from the Middle East totalled $1,039,410 (2021 - $1,041,080). Middle East Powerwave revenues were below volume expectations due to the change in distributors, and lower activities primarily in Saudi Arabia related to, amongst other events, oilfield access and related travel restrictions related to COVID-19.

In addition to the impact of decreases in revenues, the current environment has also impacted the Company's liquidity as customers continue to stretch their payments to Wavefront (see Liquidity section on page 16).

North American Powerwave stimulation revenues totalled $241,458 (2021 - $64,530). Although North American Powerwave stimulation revenues increased by an increase of $176,928 or 274.2%, these revenues are well below expectations in part due to the delays in commencing the announced Powerwave stimulation packages and the unrecognized revenues related to the GSA as noted above. Powerwave stimulation in other international regions totalled $60,675 an increase of $52,045 or 603.1% over the comparative period that recorded revenues of $8,630.

Revenues for the nine-months ended May 31, 2022, related to Other Technology revenues totalled $83,991 (2021 - $75,919).

Geographically, $287,481 (2021 – $130,729) in revenue was generated in North America, $1,040,899 (2021 - $1,041,080) in the Middle East, and $97,155 (2021 - $18,350) in Other International geographic regions. The geographic revenues are more specifically described as follows:

> **North America**: Revenues in North America increased by $156,752 or 119.9% to $287,481 compared to $130,729 in the comparative nine-months. Powerwave stimulation revenues in North America totalled $241,458, an increase of $176,928 or 274.2% over the revenues recorded for the comparative period of $64,530. The Powerwave stimulation revenues are below expectations in part due to the delays in commencing the announced Powerwave stimulation packages and the unrecognized revenues related to the GSA as noted above. Other Technology revenues totalled $46,023 (2021 - $66,199).
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> **Middle East**: Revenues in the Middle East totalled $1,040,899 (2021 - $1,041,080). Powerwave stimulation revenues in the Middle East totalled $1,039,410 (2021 - $1,041,080). Powerwave revenue were negatively impacted by the reduced aggregate minimum consideration from the Distributor in the State of Kuwait (see above), which was offset by the Company recognizing $150,331 in Powerwave revenues in the UAE, where revenues were not generated in the comparative period. Other Technology revenues totalled $1,489 (2021 - $nil).
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> **Other International**: Revenues outside of North America and the Middle East totalled $97,155 (2021 - $18,350). Powerwave stimulation revenues in other international markets totalled $60,675 (2021 - $8,630); and Other Technology revenues totalled $36,479 (2021 - $9,720).

## Costs of Sales

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

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

Costs of sales for the nine-month period ended May 31, 2022 totalled $140,923 or 9.9% of revenues (2021 - $47,496 or 4.0% of revenues). Cost of sales increased principally due to a higher proportion of US Powerwave stimulations, which have Wavefront personnel present (i.e., versus sales from Distributors wherein no Wavefront personnel are present or royalties that have no or little direct costs). In addition, during the reporting period the Company, to maintain competitiveness in the labour market, increased field compensation to perform the US Powerwave stimulations.

Costs of sales associated with all Powerwave stimulations totalled $136,666 (2021 - $47,389).

### Expenses

In the comparative period ending May 31, 2021, only, the Company recorded an impairment expense of $1,463 related to certain Powerwave tools as a result of obsolescence and / or physical damage. In addition, the Company recorded an impairment expense of $58,513 related to intangible assets. COVID-19 and other material uncertainties have impacted the Company's ability to realize a future economic benefit related to the underlying irrevocable licenses.

General and administrative, sales and marketing, research and development, and amortization and depreciation expenses for the nine-months ended May 31, 2022, increased by $422,224 to $2,781,853 compared to $2,359,629 for May 31, 2021. The changes within these expenses were principally a result of the following:

i) General and administrative expenses increased by $358,490 (May 31, 2022 - $2,090,304; May 31, 2021 - $1,731,814). The change in general and administrative expenses were as follows with the noted variances:

| | Nine-months ended | | |
|---|---|---|---|
| | **May 31, 2022** | **May 31, 2021** | **Variance** |
| Wages, benefits & contract employee expense | $ 720,083 | $ 747,029 | $ (26,946) |
| Consulting expense | 445,908 | 228,590 | 217,318 |
| Office expense | 274,975 | 275,922 | (947) |
| Professional fees | 189,748 | 125,895 | 63,853 |
| Share based payments | 173,326 | 30,680 | 142,646 |
| Public company & listing fees | 133,264 | 143,129 | (9,865) |
| Vehicle expense | 84,666 | 48,365 | 36,301 |
| Repairs and maintenance expense | 65,002 | 70,566 | (5,564) |
| Bad debt expense | 2,308 | 59,193 | (56,885) |
| Miscellaneous expenses | 1,024 | 2,445 | (1,421) |
| | $ 2,090,304 | $ 1,731,814 | $ 358,490 |

Within the increases to the Company's general and administrative expenses (i.e., consulting fees, repairs and maintenance and vehicles expenses), increases related to and in support of the Company's distributor in the Kingdom of Saudi Arabia. These amounts invoiced to the Company for the nine-months ended May 31, 2022, totalled US $384,110 (translated CDN approximately $493,870).

The increase in share compensation relates to the functional allocation of the associated stock option expense related to the issuance of 1,800,000 incentive stock options on September 27, 2021, as noted below.

Wages, benefits, and contract employee expenses 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.

The natural wage and wage expense decreased as certain employees were temporarily laid off due to COVID-19 and decreased business activity.

ii) Sales and marketing expenses increased by $171,764 to $495,557. During the reporting period there was an increase of $48,577 travel related expenses, an increase of $4,330 in meals and entertainment, an increase of $15,096 in trade show and advertising expenses, an increase of $48,577 in travel and accommodations, and an increase in the functional allocation of $103,761 in fully-built-up wage and stock compensation.

With the easing of COVID-19 travel restrictions and opening of business, the Company re-initiated sales and marketing efforts. These efforts resulted in increased expenses related to trade shows in the Middle East and Louisiana; sales trips to the United Arab Emirates, Argentina, Mexico, and Texas; and sales support and training of Distributor in Colombia and the United Arab Emirates.

iii) Amortization and depreciation expenses decreased by $60,898 to $153,532 from the comparative period. The current period depreciation and amortization expense were impacted by entering a five-year lease effective February 2021, and thus, the amortization expense is now over a longer period.

iv) Research and development expense decreased by $47,132 to $42,460. Research and development expense has been limited to Powerwave modelling. Research and development expenses in the comparative quarter relate to labour of the Company's physicist and reservoir engineer that supports our Powerwave product line and the development of a prototype high flow rate Powerwave Odyssey tool for multilateral horizontal wells. The high flow rate Powerwave Odyssey tool is hoped to allow the Company's distributors to enter into a sections of wells not currently open to stimulation via the current Powerwave Odyssey tool.

The changes in research and development expenses relate to a decrease in material and external engineering consulting of $19,298, and the functional allocation of fully built-up wages and stock compensation of $27,833. With declining working capital efforts related to research and development have been focused on the support of near revenue generating activities.

### Net Finance Section of Income

Financing costs of $19,493 (2021 - $11,815) include interest expense, for both reporting periods that relate to interest on insurance financing contracts, and interest expense of $17,216 (2021 - $9,388) relates to lease liability (i.e., IFRS 16). As the prior lease came to an end on January 31, 2021, the Company expects future periods to have higher interest costs related to the new lease.

In response to the World Health Organization's declared COVID-19 pandemic, governments have established various programs to assist companies through this period of uncertainty, like the implementation of the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs. The Company recorded non-refundable contributions under the CEWS and CERS programs in the comparable periods for nine months ended May 31, 2022 of $15,269 (2021 - $179,813), with $nil included in accounts receivable (August 31, 2021 - $22,598).

Financing income of $2,149 (2021 - $15,860) 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. Interest income decreased as a result of declining cash balances.

Foreign exchange loss of $7,042 (2021 - $28,329) is a result of the translated difference between spot rates and the average for the year of items in the Company's Canadian entity.

### Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for the nine-months ended May 31, 2022 increased by $389,023 to $1,506,358 (or basic and diluted net loss of $0.017 per share), compared to the net loss of $1,117,335 (or basic and diluted net loss of $0.013 per share) for the comparative period ended May 31, 2021.

The comprehensive loss for the nine-months ended May 31, 2022 of $1,506,431 was impacted by foreign translation loss of $73 on its foreign, wholly owned, subsidiary in the United States versus the reported comprehensive loss of $1,120,302 reported in the comparative reporting period ended May 31, 2021.

### Earnings before interest tax, depreciation and amortization (“EBITDA”)

The following table sets out the Company’s EBITDA loss and EBITDA loss per share:

| | Nine-months ended | |
|---|---|---|
| | May 31, 2022 | May 31, 2021 |
| Net loss | $ (1,506,358) | $ (1,117,335) |
| Items not affecting cash | | |
| Amortization and depreciation | 153,532 | 214,430 |
| Interest and tax expense | 20,098 | 13,012 |
| EBITDA | $ (1,332,728) | $ (889,893) |
| EBITDA loss per share | $ (0.015) | $ (0.010) |

*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*

Excluding the impairment of property, plant and equipment and intangible assets of $59,976 in the comparative period, the EBITDA loss would have been $887,835 (or the EBITDA loss of $0.010 per share) for May 31, 2021.

### Operating Cash Flows

The following table sets out the cash used in operations for the nine-months ended May 31, 2021 and 2021:

| | Nine-months ended | |
|---|---|---|
| | May 31, 2022 | May 31, 2021 |
| Net Loss | $ (1,506,358) | $ (1,117,335) |
| Changes to net loss not involving cash | | |
| Share-based payments | 225,461 | 30,680 |
| Amortization and depreciation | 153,531 | 214,430 |
| Impairment | 1,651 | 59,976 |
| Gain on disposal of property, plant and equipment | - | (4,078) |
| Impact of foreign translation | (1,096) | 22,555 |
| Interest expense | (19,493) | (11,815) |

| | Nine-months ended May 31, 2022 | Nine-months ended May 31, 2021 |
|---|---|---|
| Changes to working capital | | |
| Change in trade and other receivables | (336,638) | 517,966 |
| Change in inventory | (116,415) | 25,326 |
| Change in prepaid expenses | (39,709) | (24,719) |
| Change in deposits | - | - |
| Change in unearned revenue | 12,020 | 11,983 |
| Interest paid | 19,493 | 11,815 |
| Change in trade and other payables | 409,921 | (85,813) |
| Cash used in operating activities | $ (1,197,632) | $ (349,029) |

## CONSOLIDATED RESULTS – THREE-MONTHS ENDED MAY 31, 2022

### Revenues

For the third quarter ended May 31, 2022 gross revenues totalled $462,152, increasing $90,871 over the comparative quarter ended May 31, 2021 that recognized revenues of $371,281. Revenues related to Powerwave stimulations for the third quarter 2022 totalled $419,620, an increase of $65,541 over the comparative quarter that recorded revenues of $354,079. Powerwave stimulation revenues for the reporting quarter for the Middle East totalled $251,992 (2021 - $335,862). Powerwave revenues in the Middle East were impacted by the reduced aggregate minimum consideration from the Distributor in the State of Kuwait (see above), which resulted in the reduction of the transaction price that necessitated a cumulative retrospective adjustment.

Additionally, Powerwave stimulations revenues in the Middle East were negatively impacted with the termination of a distribution agreement wherein the former Saudi Arabian distributor guaranteed a minimum number of Powerwave stimulations, and an overall lower number of Powerwave stimulations occurring due to a budgetary refocus, and due to the change of distributors in Saudi Arabia.

North American Powerwave stimulation revenues totalled $167,628, an increase of $149,711 or 821.8% over the comparative quarter that recorded revenues of $18,217.

Geographically, $181,940 (2021 – $35,419) in revenue was generated in North America, $251,992 (2021 - $335,862) in the Middle East, and $28,220 (2021 - $ nil) in other international geographic regions. The geographic revenues are more specifically described as follows:

> **North America**: Revenues in North America increased by $146,521 or 413.7% to $181,940 compared to $35,419 in the comparative quarter. Powerwave stimulation revenues in North America totalled $167,628 (2021 - $18,217). Revenues in the reporting quarter were positively impacted by the commencement of individual Powerwave stimulations related to the Powerwave stimulation packages as announced in the fourth quarter 2021 and the first quarter 2022. During the reporting quarter individual stimulations amounting to 15.7% of the announce Powerwave stimulation package were completed allowing the Company to record US $92,083 in revenues.

Subsequent to the third quarter ending May 31, 2022, additional individual stimulations amounting to 11.0% of the announces Powerwave stimulation packages individual Powerwave stimulations totalling US $55,705 were also completed.

Despite the aforementioned Powerwave stimulation activity in North America, activities and revenues remain below expectations in part due to the unrecognized revenues related to the GSA noted above. Despite strengthening commodity prices, 73.3% of the announced Powerwave stimulations have been delayed due to the COVID-19 and Omicron variant, indirect E&P supply chain issues, and various E&P decisions to reduce or delay both operating and capital expenditures. The time as to when this backlog of stimulation jobs will be completed is not certain as it is dependent on the E&P customers.

Other Technology revenues totalled $14,312 (2021 - $17,202).

**Middle East**: Revenues in the Middle East totalled $251,992 (2021 - $335,862), all of which us related to Powerwave stimulation revenues in both the current and comparative reporting quarters. Given the delays in activity in the State of Kuwait, and faced with the potential early termination of the Exclusivity Agreement, the Company agreed to amend of the guaranteed minimum aggregate consideration from US $75,000 to US $50,000 per month, which in addition, resulted in a reduction of the transaction prices and a cumulative adjustment (i.e., revenue reduction) of US $76,923 (translated CDN $97,292) in the reporting quarter. The Company, however, was able to complete Powerwave stimulation jobs in the UAE for total revenues of $111,167 (2021 - $nil).

**Other International**: Revenues outside of North America and the Middle East totalled $28,220 (2021 - $ nil). All revenue generating activities in Other International regions relate for Other Technology.

## Costs of Sales

Cost of sales for the third quarter ended May 31, 2022 totaled $84,288 or 18.2% of revenues (May 31, 2021 - $13,589 or 3.7% of revenues). Cost of sales increased principally due to higher proportion of US Powerwave stimulations, which have Wavefront personnel present (i.e., versus sales from Distributors wherein no Wavefront personnel are present or royalties that have no or little direct costs). In addition, during the reporting period the Company, to maintain competitiveness in labour market, increased field compensation to employees performing the US Powerwave stimulations.

Costs of sales associated with all Powerwave stimulations totalled $81,495 (2021 - $13,482).

## Expenses

In the comparative quarter end May 31, 2021, only, the Company recorded an impairment expense of $1,463 related to certain Powerwave tools as a result of obsolescence and / or physical damage. In addition, the Company recorded an impairment expense of $58,513 related to intangible assets. COVID-19 and other material uncertainties have impacted the Company's ability to realize a future economic benefit related to the underlying irrevocable licenses.

General and administrative, sales and marketing, research and development, and amortization and depreciation expenses for the third quarter ended May 31, 2022, increased by $151,270 to $872,110, compared to $720,840 for the quarter ended May 31, 2021. The change in these expenses over the comparative quarter was principally a result of the following:

i) General and administrative expenses increased by $141,200 (May 31, 2022 - $668,842; May 31, 2021- $527,642) with the following noted variances:

| | Three-months ended May 31, 2022 | May 31, 2021 | Variance |
|---|---|---|---|
| Wages, benefits, & contract employee expenses | $ 248,614 | $ 214,897 | $ 33,717 |
| Consulting expenses | 150,819 | 91,869 | 58,950 |
| Office expenses | 97,697 | 98,216 | (519) |
| Professional fees | 44,830 | 23,619 | 21,211 |
| Share based payments | 42,307 | 30,680 | 11,627 |
| Public company & listing fees | 32,481 | 32,982 | (501) |
| Vehicle expense | 26,094 | 20,633 | 5,461 |
| Repairs and maintenance expense | 24,847 | 14,582 | 10,265 |
| Bad debt expense | 882 | (91) | 973 |
| Miscellaneous expenses | 271 | 255 | 16 |
| | $ 668,842 | $ 527,642 | $ 141,200 |

The increase in the Company's consulting fees and vehicle expenses, are related to and in support of the Company's distributor in the Kingdom of Saudi Arabia. These amounts invoiced to the Company for the third quarter ended May 31, 2022, totalled US $125,579 (translated CDN approximately $161,796).

Wages, wage expense and benefits 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.

v) Sales and marketing expenses increased by $43,108 to $143,053. During the reporting period there was an increase of $8,536 travel related expenses that mainly related to travel to a Middle East trade show and training of a Distributor in Colombia. These increases relate to $619 in meals and entertainment, increases in trade show and advertising expenses of $2,430, increases in travel and accommodations of $8,536, and an increase in the functional allocation of $31,523 in fully-built-up wage and stock compensation.

These were a result of efforts related to a trade show in Louisiana; sales efforts in Argentina and Texas; and sales support and training of Distributor in Colombia.

ii) Amortization and depreciation expenses decreased by $10,238 to $50,664 from the comparative period.

vi) Research and development expense decreased by $22,800 to $9,551. The changes in research and development expenses relate to a decrease in material and external engineering consulting of $6,347, and the functional allocation of fully built-up wages and stock compensation of $16,453.

## Net Finance Section of Income

Financing costs of $7,271 (2021 - $7,121) include interest expenses, for both reporting quarters that relate to interest on insurance financing contracts, and interest expense of $5,440 relates to the lease liability.

During the third quarter 2021, the Company accessed CEWS and CERS programs, and recognized non-refundable government grants of $89,895.

Financing income of $697 (2021 - $2,266) 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. Interest income decreased as a resulting of declining cash balances.

Foreign exchange loss of $1,728 (2021 – loss of $19,971) is a result of the translated difference between spot rates and the average for the year of items in the Company's Canadian entity.

### Net Loss and Comprehensive Loss, and Loss Per Share

The net loss for the third quarter 2022, i.e., the three-months ended May 31, 2022 was $502,548 (or $0.006 basic and diluted loss per share) compared to the comparative quarter ended May 31, 2021, which reported a net loss of $353,977 (or $0.004 basic and diluted loss per share). The increases in consulting fees and vehicles expenses related to and in support of the Company's Distributor in the Kingdom of Saudi Arabia and new global Distributor also negatively impacted net losses.

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

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

| | Three months ended | |
|---|---|---|
| | **May 31, 2022** | **May 31, 2021** |
| Net Loss | $ (502,548) | $ (353,977) |
| Items not affecting cash | | |
| Amortization and depreciation | 50,664 | 60,902 |
| Interest and tax expense | 7,273 | 7,281 |
| EBITDA (loss) | $ (444,611) | $ (285,794) |
| EBITDA (loss) per share | $ (0.0049) | $ (0.0033) |

*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*

Excluding the impairment of property, plant and equipment and intangible assets of $59,976 in the comparative period, the EBITDA loss would have been $283,736 (or the EBITDA loss of $0.003 per share) for May 31, 2021.

### Operating Cash Flows

The following table sets out the cash used in operations for the third quarter ended May 31, 2022 and 2021:

| | Three-months ended | |
|---|---|---|
| | May 31, 2022 | May 31, 2021 |
| Net Loss | $ (502,548) | $ (353,977) |
| Changes to net loss not involving cash | | |
| Share-based payments | 54,844 | 30,680 |
| Amortization and depreciation | 50,663 | 60,902 |
| Impact of foreign translation | 1,216 | 20,931 |
| Impairment | 105 | 59,976 |
| Gain on disposal of property, plant and equipment | - | (4,078) |
| Interest expense | (7,271) | (7,121) |
| Changes to working capital | | |
| Change in trade and other receivables | (87,077) | 263,270 |
| Change in trade and other payables | (37,490) | (72,016) |
| Change in inventory | (34,567) | 5,717 |
| Change in deposits | - | - |
| Interest paid | 7,271 | 7,121 |
| Change in unearned revenue | 31,651 | (1,821) |
| Change in prepaid expenses | 33,977 | 27,859 |
| Cash from (used in) operating activities | $ (489,226) | $ 37,443 |

## LIQUIDITY AND CAPITAL RESOURCES

### Assets

Total assets decreased by $247,059 from the prior year end to $2,173,431, the changes of which principally relates to the decrease of $615,537 in cash and cash equivalents. The decline in cash of $615,537 primarily relates to cash used in operations of $1,197,632, the principal lease repayment of $72,484, and $30,896 relating to purchases of property, plant and equipment. These decreases were partially offset by the receipt of net proceeds from share purchase warrant exercises totalling $684,454.

Current assets were also impacted by increases in trade and other receivables by $336,638 and increases in inventories of $116,310.

Within non-current assets, the net book value of property, plant and equipment declined by $46,078, and was principally a result of the amortization and depreciation expense of $75,431, and a depreciation of leased assets of $78,101.

### Liabilities

Total liabilities increased by $349,457 from the prior year-end to $1,434,480. Of the changes in liabilities, the largest increase was trade and accounts payable and other accrued liabilities of $414,370. At the quarter ended May 31, 2022 trade accounts payable totalled $550,302, trade accruals $259,717, vacation accruals of $47,533, notes payable related to insurance contract financing $38,545, and payroll tax, workers compensation and other accruals of $3,327.

Unearned revenues principally relate to timing differences 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.

Offsetting the increases in current liabilities was a decrease in non-current liabilities of $78,117 in lease liabilities and $4,449 in other accrued liabilities. All non-current liabilities relate to the new lease.

## Liquidity

The Company continues to be able to meet its liquidity needs through cash and cash equivalents on hand and cash generated from Powerwave sales.

With the COVID-19 pandemic, the Company has experienced longer delays in realizing its receivables, impacting cash resources. Thus, working capital has seen large recent quarter-over-quarter variances, as Distributor clients have been delaying paying large amounts owing to Wavefront.

The Company remains focused on invoicing and collection activities. Since the beginning of the COVID-19 pandemic, the Company has not experienced increased bad debts or bad debt allowances.

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. 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 continues to review the credit quality of its counterparties. During the reporting period the Company increased its allowance for doubtful account by $5,567, which was partially offset by write-off and recoveries of $1,706.

Given the reduction in revenues from foreign Distributors, and thus, higher proportionate costs, and the low historical loss rate, the Company recently elected to terminate its Export Development Canada ("EDC") Credit Insurance. The EDC Credit Insurance was for two specific customers and activities in the Kingdom of Saudi Arabia and the state of Kuwait. The receivables as at May 31, 2022 for two specific customers totalled $99,982 and $63,240. The cancellation of the EDC Credit Insurance will provide the Company a savings US $4,467 per quarter.

As of July 27, 2022, Wavefront had $509,819 of cash and cash equivalents on hand. Of the cash on hand, Wavefront has $381,836 in high interest savings accounts with annualized interest rate of 1.70%. Cash on hand as at July 27, 2022 was buoyed by the quarter end subsequent pre-payment of the minimum consideration totaling US $100,000 for the months of July and August 2022 (i.e., US $50,000 per month) from the Distributor in the State of Kuwait.

## Working Capital

The following table presents working capital information as at May 31, 2022 and August 31, 2021:

| | As at May 31, 2022 | As at August 31, 2021 | Change |
|---|---|---|---|
| Current assets | 1,383,900 | 1,506,780 | (122,880) |
| Current liabilities | (1,098,297) | (666,274) | (432,023) |
| Working capital[1] | 285,603 | 840,506 | (554,903) |

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 $122,880 (i.e., decreases in cash and cash equivalents of $615,537, which were offset by increases in trade and other receivables of $336,638 as clients have delayed payments, increases in inventory of $116,310, and increases in prepaid expenses of $39,709). Working capital was impacted by increases in current lease liabilities of $432,023 (i.e., increases of unearned revenue of $12,020, increases in trade accounts payable and accrued liabilities of $414,370, and increases in current lease liabilities of $5,633).

The Company believes that its working capital position will continue to fluctuate, and that Wavefront'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; the mix between Powerwave product lines; and the collection of receivables and payment of payables.

## Financings

There were no financings during the reporting or the comparative period. Given the Company's stage of development, the COVID-19 pandemic, oil and gas demand and commodity prices both related and unrelated to COVID-19, 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 depend on Wavefront's credit rating, licensing contracts' quality, other relevant financing factors.

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.

## Capital Management

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.

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

At May 31, 2022, the Company had yet to achieve profitable operations, had an accumulated deficit of $77,966,392 (August 31, 2021 - $76,460,034), and for the nine-month period ended May 31, 2022 had a net loss of $1,506,358 (May 31, 2021 - $1,117,335) with cash used in operating activities of $1,197,632 (May 31, 2021 – $349,029). It is unclear whether and when the Company can obtain profitability and positive cash flows from operations. These events and conditions form a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern.

The Company currently has a working capital of $285,603 (August 31, 2021 - $840,506).

Although the Company has commenced certain expenditure curtailments 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 depends on obtaining additional capital investment, the realization of assets, the further achievement of successful commercialization of its technologies and the improvement of cash flows from operations. Note 8 provides a more detailed description of the liquidity risk. During the prior reporting period the Company secured a $12,000,000 equity facility ("Facility"). During the reporting period ended May 31, 2022, the Company requested a draw against the Facility, which was declined. Draws against the Facility will be subject to acceptance, and there can be no assurance that any future draw(s) against the Facility will be accepted, that the Facility will 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.

Given the Company's sustainability priority, all capital and future expenditures, including 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, lines of credit, and the provision of goods and services. The following table presents contractual obligations arising from these arrangements currently in force:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 - 3 Years | 3 - 5 Years | More than 5 Years |
| Contractual commitments and variable lease payment | $ 275,634 | $ 94,636 | $ 131,702 | $ 49,296 | $ - |
| Lease liabilities | 462,583 | 121,550 | 255,233 | 85,800 | - |
| | $ 738,217 | $ 216,186 | $ 386,935 | $ 135,096 | $ - |

*Note 1: Effective February 1, 2021, the Company entered into a new office and warehouse lease for its Edmonton, Alberta operations for a period of five years expiring January 2026.*

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

The Company has no transactions with related parties.

## PROPOSED TRANSACTIONS

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

## RISK AND UNCERTAINTIES

The Company's business risks and uncertainties are the same as disclosed in its annual MD&A issued for the year ended August 31, 2021.

## ENVIRONMENTAL RISK

The Company's environmental risks are the same as disclosed in its annual MD&A issued for the year ended August 31, 2021.

## CLIMATE GOVERNANCE AND RISK MANAGEMENT

Aspects of climate change risk and opportunities that most influence Wavefront's business strategy are: future regulatory changes and associated compliance costs, commodity prices, access to markets and capital, social preferences, general capital investment declines in the energy sector, and reputational and Environmental, Social and Governance ("ESG") risk (related to climate change, human rights and ethical and sustainable business practices), and technology development.

The Company currently has a Safety, Health and Environmental policy as part of its Corporate policy manual. The Safety, Health and Environmental policy assists the Board in fulfilling its obligations relating to safety, health and environmental matters concerning Wavefront. Safety and protection of the environment have always been top priorities in Wavefront's business operations. Wavefront believes dedication to safety and environmental protection go beyond implementing the right policies and having the right equipment or department; but ensuring that everyone at Wavefront is aware of both their responsibility for safety matters and protection of the environment and how integral those matters are to the Company's business.

Wavefront is in the process of augmenting its Safety, Health and Environmental policy to include a multi-disciplinary risk management process, which considers ESG and climate change risks and opportunities as part of Wavefront's business evaluation. Processes for identifying, assessing, and managing climate-related issues will be integrated into the Company's enterprise risk management ("ERM") framework.

Although climate change and ESG could negatively impact energy sector activity, it also represents an opportunity for Powerwave's smart technology that does not require capital investment by end users or E&P, reduces operating cost by decreasing volumes of water or chemical injection and E&P operating horsepower, while reducing need for more frequent stimulations and increasing near term productions and thus, E&P income and cash flows.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's critical accounting policies and estimates are the same as disclosed in its Audited Consolidated Financial Statements and Notes, and its annual MD&A issued for the year ended August 31, 2021.

## CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies are disclosed in Note 2, "*Statement of Compliance*", of the Unaudited Interim Condensed Consolidated Financial Statements for the third quarter ended May 31, 2022.

## 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 68.3% (2021 – 85.5%) of total revenues. However, the majority of transactions are with larger oil field service companies in the Middle East or publicly traded corporations in the United States of America.

Credit risk, with respect to accounts receivables may also be mitigated due to Wavefront's credit evaluation and cash management processes.

### Foreign currency risk

Wavefront is exposed to currency risks as a significant portion of its revenues are in foreign currencies, primarily US dollars, as a result of the Company's export of its technology and Powerwave tools to foreign jurisdictions of goods produced in Canada or services provided from Canada. Wavefront is also exposed to some limited operational expenses related to Distributors in foreign operations. Therefore, the Company is exposed to fluctuations in exchange rates to the extent that a strengthening Canadian dollar environment will result in a negative impact and a weakening Canadian dollar environment will result in positive impact on our income from operations.

These risks are partially covered by purchases of goods and services in the foreign currency. Wavefront does not use derivative instruments to reduce its exposure to foreign currency risk.

### Fair value of financial instruments

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

### SUPPLEMENTARY INFORMATION

### SUMMARY OF QUARTERLY RESULTS AND LOSS PER SHARE

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

| | 3rd Qtr 2022<br>May 31 '22 | 2nd Qtr 2022<br>Feb 28 '22 | 1st Qtr 2022<br>Nov 30 '21 | 4th Qtr 2021<br>Aug 31 '21 |
|---|---|---|---|---|
| Revenue | $ 462,152 | $ 535,752 | $ 427,631 | $ 415,583 |
| Net Loss | $ (502,548) | $ (430,524) | $ (573,286) | $ (257,022) |
| Basic & diluted loss per share | $ (0.0056) | $ (0.0048) | $ (0.0065) | $ (0.0029) |
| Common shares outstanding | | | | |
| Weighted average shares outstanding | 90,151,704 | 89,715,359 | 88,434,782 | 87,572,573 |

| | 3rd Qtr 2021<br>May 31 '21 | 2nd Qtr 2021<br>Feb 29'21 | 1st Qtr 2021<br>Nov 30'20 | 4th Qtr 2020<br>Aug 31 '20 |
|---|---|---|---|---|
| Revenue | $ 371,281 | $ 373,118 | $ 445,760 | $ 695,473 |
| Net Income (loss) | $ (353,977) | $ (415,839) | $ (347,520) | $ 20,773 |
| Basic & diluted income (loss) per share | $ (0.0040) | $ (0.0047) | $ (0.0040) | $ 0.0002 |
| Common shares outstanding | | | | |
| Weighted average shares outstanding | 87,572,573 | 87,572,573 | 87,572,573 | 87,572,573 |

*Note 1: All amounts in Canadian dollars except share data*

### DESCRIPTION OF SHARE CAPITAL

As at May 31, 2022, Wavefront's share capital consisted of the following:

| **Common shares** | |
|---|---|
| Authorized: | unlimited |
| Issued and outstanding: | |
| Free trading | 91,010,165 |

| | | |
|---|---|---|
| Convertible into common shares | | |
| Share purchase warrants | 628,741 | |
| Incentive stock options | 4,600,000 | |
| | | 5,228,741 |
| Fully diluted share capital: | | 96,238,906 |

As at July 27, 2022, 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 May 31, 2022

| Date Granted | Expiry Date | Number of Options | Exercise Price per Share $ |
|---|---|---|---|
| July 17, 2018 | July 17, 2021 | 628,741 | 0.45 |
| | | 628,741 | |

During the reporting period ended November 30, 2021, the Company announced that a Triggering Event had occurred in relation to the 3,712,592 common share purchase warrants exercisable at $0.20, as originally issued by the Company on July 17, 2018. The Triggering Event, resulting from the 10-day closing price of the common shares of the Company, as traded on the TSX Venture Exchange exceeding $0.20 per common share, and thus, the expiry date of the 3,712,592 common share purchase warrants exercisable at $0.20 was no longer July 17, 2022, but was accelerated to November 25, 2021.

As a result of the Triggering Event, 3,437,592 common share purchase warrants exercisable at $0.20 were exercised into an equal number of common shares for net proceeds of $684,454. The balance of 275,000 common share purchase warrants exercisable at $0.20 expired unexercised as at November 25, 2021. The closing balance of common share purchase warrants exercisable at $0.45 relate to the same private placement but were not eligible for re-pricing under TSX Venture Exchange policies.

Subsequent to the reporting period, on July 17, 2022, the balance of 628,741 Warrants, exercisable at $0.45, expired un-exercised

### Options granted during the period

As at May 31, 2022

| Date Granted | Expiry Date | Number of Options | | Exercise Price per Share $ |
|---|---|---|---|---|
| September 27, 2021 | September 27, 2031 | 1,800,000 | $ | 0.17 |
| | | 1,800,000 | | |

Of the 1,800,000 stock options that were issued during the reporting period ended November 30, 2021, 1,200,000 were issued to Directors and Officers of the Company.

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

As at May 31, 2022

| Date Granted | Expiry Date | Number of Incentive Stock Options | Exercise Price per Share $ |
|---|---|---|---|
| March 1, 2021 | March 1, 2031 | 1,000,000 | 0.10 |
| September 27, 2021 | September 27, 2031 | 1,800,000 | 0.17 |
| August 4, 2016 | August 4, 2026 | 1,725,000 | 0.28 |
| January 6, 2017 | January 6, 2027 | 75,000 | 0.35 |
| | | 4,600,000 | |

## CONTROLS AND PROCEDURES

Under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), the Company, as a "Venture Issuer" files on an annual basis Form 52-109FV1, the "*Certificate of Annual Filings – Venture Issuer Basic Certificate*" (the "**Annual Form")** which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal controls over financial reporting **("ICFR**"), as defined in NI 52-109. In particular, the certifying officers filing the Annual Form are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and,

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

However, the Company's Management, and its certifying officers on the Certificates are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in those Certificates. The Certificates do contain representations which confirms that management has established processes, which are in place to provide the certifying officers with sufficient knowledge to support their written representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and that (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Company's certifying officers of the Certificates are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in those Certificates. However, the reader should be aware that inherent limitations on the ability of the certifying officers to design and implement, on a cost-effective basis, DC&P and ICFR for the Company as defined in NI 52-109, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation, including this Management Discussion & Analysis.

## FORWARD-LOOKING INFORMATION

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

- *under the heading "Outlook" the outlook for Wavefront's business and its long-term plans, including potential cash payments under the terms of the non-binding Memorandum of Understanding with GDMC, potential growth of sales in the Middle East, South and North America, and the potential necessity for further cost reductions;*

- *under the heading "Liquidity and Capital Resources", Wavefront's beliefs about its working capital position and cash flow break even and its use of cash; and*

- *under the heading "Contractual Commitments", Wavefront's beliefs about working capital sufficiency the potential receipt of payment of certain aged receivables and potential sources of financing.*

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

*The forward-looking statements contained herein represent Wavefront's expectations at July 27, 2022, 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).