*Unaudited Condensed Consolidated Interim Financial Statements of*

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.

*Three and six month periods ended February 28, 2015 and 2014*

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company is disclosing that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the periods ended February 28, 2015 and 2014.

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.
# Condensed Consolidated Interim Statements of Financial Position

**As at February 28, 2015 and August 31, 2014**
**(Canadian dollars)**
**(Unaudited)**

| | Note | | February 28, 2015 | | August 31, 2014 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | | $ | 7,553,895 | $ | 8,085,603 |
| Trade and other receivables | | | 1,145,638 | | 2,028,469 |
| Inventories | | | 481,955 | | 495,856 |
| Prepaid expenses and other current assets | 4 | | 1,064,185 | | 377,574 |
| | | | 10,245,673 | | 10,987,502 |
| NON-CURRENT ASSETS | | | | | |
| Deposits | | | 62,347 | | 89,492 |
| Property, plant and equipment | 3, 4 | | 2,344,159 | | 4,696,068 |
| Intangible assets | 3, 5 | | - | | 3,507,708 |
| | | $ | 12,652,179 | $ | 19,280,770 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Trade accounts payable and accrued liabilities | | $ | 848,901 | $ | 1,051,482 |
| SHAREHOLDERS' EQUITY | | | | | |
| Share capital | 6a | | 66,438,909 | | 66,438,909 |
| Share based payment reserve | 6c | | 8,917,034 | | 8,879,699 |
| Accumulated other comprehensive income | | | 458,619 | | 115,754 |
| Deficit | | | (64,011,284) | | (57,205,074) |
| | | | 11,803,278 | | 18,229,288 |
| | | $ | 12,652,179 | $ | 19,280,770 |

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

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.
## Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
## Three and six month periods ended February 28, 2015 and 2014
**(Canadian dollars)**
**(Unaudited)**

| | Note | For the three months ended February 28, 2015 | February 28, 2014 | For the six months ended February 28, 2015 | February 28, 2014 |
|---|---|---|---|---|---|
| Revenue | | $ 1,059,555 | $ 1,247,048 | $ 2,553,145 | $ 2,893,688 |
| Cost of sales | | 519,606 | 375,036 | 884,948 | 883,262 |
| Impairment | 3, 4, 5 | 2,968,885 | - | 5,023,475 | - |
| General and administrative | | 1,053,654 | 1,271,698 | 2,055,548 | 2,465,113 |
| Amortization, depreciation, and depletion | | 233,878 | 426,498 | 613,996 | 836,024 |
| Sales and marketing | | 382,330 | 366,469 | 753,380 | 655,134 |
| Research and development | | 40,531 | 271 | 94,389 | 65,375 |
| | | 5,198,884 | 2,439,972 | 9,425,736 | 4,904,908 |
| OPERATING LOSS | | (4,139,329) | (1,192,924) | (6,872,591) | (2,011,220) |
| OTHER (EXPENSES) INCOME | | | | | |
| Financing costs | | (2,039) | (467) | (3,491) | (954) |
| Financing income | | 51,840 | 56,738 | 69,872 | 83,117 |
| | | 49,801 | 56,271 | 66,381 | 82,163 |
| NET LOSS | | (4,089,528) | (1,136,653) | (6,806,210) | (1,929,057) |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Items that may be reclassified subsequently to net loss | | | | | |
| Translation gain on foreign operations | | 224,783 | 64,466 | 342,865 | 73,479 |
| COMPREHENSIVE LOSS | | $ (3,864,745) | $ (1,072,187) | $ (6,463,345) | $ (1,855,578) |
| WEIGHTED AVERAGE NUMBER OF SHARES | | | | | |
| Basic and diluted | 7 | 82,956,240 | 82,956,240 | 82,956,240 | 82,956,240 |
| LOSS PER COMMON SHARE | | | | | |
| Basic and diluted | 7 | $ (0.05) | $ (0.01) | $ (0.08) | $ (0.02) |

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

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.
## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
## Six month periods ended February 28, 2015 and 2014
**(Canadian dollars)**
**(Unaudited)**

| | Share capital | Share based payment reserve | Accumulated other comprehensive (loss) income | Deficit | Total |
|---|---|---|---|---|---|
| **Balance at August 31, 2013** | $ 66,438,909 | $ 8,691,895 | $ 76,086 | $ (51,994,767) | $ 23,212,123 |
| Net Loss | - | - | - | (1,929,057) | (1,929,057) |
| Translation gain on foreign operations | - | - | 73,479 | - | 73,479 |
| Recognition of shared-based payments | - | 91,669 | - | - | 91,669 |
| **Balance at February 28, 2014** | 66,438,909 | 8,783,564 | 149,565 | (53,923,824) | 21,448,214 |
| Net Loss | - | - | - | (3,281,250) | (3,281,250) |
| Translation gain on foreign operations | - | - | (33,811) | - | (33,811) |
| Recognition of shared-based payments | - | 96,135 | - | - | 96,135 |
| **Balance at August 31, 2014** | 66,438,909 | 8,879,699 | 115,754 | (57,205,074) | 18,229,288 |
| Net Loss | - | - | - | (6,806,210) | (6,806,210) |
| Translation gain on foreign operations | - | - | 342,865 | - | 342,865 |
| Recognition of shared-based payments | - | 37,335 | - | - | 37,335 |
| **Balance at February 28, 2015** | $ 66,438,909 | $ 8,917,034 | $ 458,619 | $ (64,011,284) | $ 11,803,278 |

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

# WAVEFRONT TECHNOLOGY SOLUTIONS INC.
## Condensed Consolidated Interim Statements of Cash Flow
## Six month periods ended February 28, 2015 and 2014
**(Canadian dollars)**
**(Unaudited)**

| | Note | For the six months ended February 28, 2015 | February 28, 2014 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net loss | | $ (6,806,210) | $ (1,929,057) |
| Items not affecting cash | | | |
| Impairment | 3, 4, 5 | 5,023,475 | - |
| Amortization, depreciation and depletion | | 613,996 | 836,024 |
| Unrealized foreign exchange gain | | 142,630 | 59,573 |
| Share-based payments | 6c | 37,335 | 91,669 |
| Interest expense | | 3,491 | 954 |
| Loss on disposal of property, plant and equipment | | (5,918) | (10,069) |
| | | (991,201) | (950,906) |
| Interest paid | | (3,491) | (954) |
| Net change in non-cash working capital items | 4 | 495,924 | (387,225) |
| Cash used in operating activities | | (498,768) | (1,339,085) |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 4 | (226,685) | (209,599) |
| Proceeds on disposal of property, plant and equipment | 4 | 22,358 | 15,295 |
| Additions to intangible assets | 5 | - | (75,328) |
| Cash used in investing activities | | (204,327) | (269,632) |
| Foreign exchange gain on cash held in foreign currency | | 171,387 | 996 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (531,708) | (1,607,721) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | | 8,085,603 | 11,043,731 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | | $ 7,553,895 | $ 9,436,010 |

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

## 1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Wavefront Technology Solutions Inc.'s ("Wavefront" or the "Company") business operates in a market where there is increasing demand to bring economically beneficial solutions to exploration and production companies (or "E&P" companies) to maximize oil and gas productivity. Central to Wavefront's broad portfolio of core technologies is the fluid delivery process, Powerwave$^{TM}$ that encompasses the life cycle of a client's post exploration operations. Powerwave is an effective method for: mature field revitalization (improved oil recovery or "IOR"; and / or enhanced oil recovery or "EOR"), increasing well productivity through well workovers or stimulation, and performance drilling.

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

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

## 2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Financial Reporting Standard ("IASB") and using accounting policies under International Financial Reporting Standards ("IFRS") for interim financial information. These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements for the fiscal year ended August 31, 2014, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which were applicable from September 1, 2014, as described in the unaudited condensed consolidated interim financial statements for the period ended November 30, 2014.

These unaudited condensed consolidated interim financial statements were approved for issue on April 27, 2015.

## 3. IMPAIRMENT

As at November 30, 2014 and February 28, 2015, the Company determined that impairment indicators existed related to the Company's market capitalization being below the carrying value of its net assets, the drop in and volatility in crude oil prices, and the changes to operating and capital budgets of exploration and production ("E&P") company budgets. Additional impairment indicators were present at February 28, 2015 in that the Company experienced weaker than expected economic performance across cash generating units ("CGU") and implemented operation expense reduction measures and managed capital programs.

For the 3 months ended February 28, 2015, the Company calculated an impairment loss on the Powerwave CGU in the amount of $3,604,091 based on a value in use calculation. In accordance with International Accounting Standards ("IAS") 36, the impairment loss allocated to the individual assets within the CGU is subject to a cap where the carrying amount of the individual asset should not be reduced below the highest of 1) its fair value less costs of disposal; 2) its value in use; and zero. In performing this allocation, the Company determined that it was able to estimate the recoverable amount of each individual asset in the CGU. The recoverable amount calculated for Powerwave tools and equipment within the property, plant and equipment category was determined based on a fair value less costs of disposal by applying similar market prices for recent sales and license of similar Powerwave tools. Similarly, the fair value less costs of disposal for computer, automotive, office and shop equipment was determined based on market prices for similar assets; and the cost approach to reflect the value that would be required currently to replace the service capacity of the Company offices and shop leasehold improvements. After applying the requirements under paragraph 104 and 105 of IAS 36, the Company recognized a non-cash impairment charge of $2,968,885, which is allocated to the assets in the CGU consisting of $98,313 non-cash impairment charge for property, plant and equipment (note 4) and $2,870,572 non-cash impairment charge for intangible assets (Note 5). The Company determined that there was a remaining excess of $635,206 of the impairment loss and no liability has been recognized for this remaining amount.

For the 3 months ended November 30, 2014, the Company calculated a total impairment loss on the Powerwave, Primawave and Performance Drilling CGUs in the amount of $2,054,590, which is allocated to the assets in the CGUs consisting of a $1,655,206 non-cash impairment charge to property, plant and equipment (Note 4) and $399,384 non-cash impairment charge to intangible assets (Note 5).

For the six months ended February 28, 2015, the Company's total recorded non-cash impairment charge of $5,023,475, which is allocated to the assets in the above noted CGUs consisting of a $1,753,519 non-cash impairment charge to property, plant and equipment (note 4) and $3,269,956 non-cash impairment charge to intangible assets (Note 5).

**(Canadian dollars)**

This non-cash charge does not have an impact on the Company's cash flows from operating activities and will not have an impact on the CGUs' future operations. The Company assessed the fair value less cost to sell the assets of the Tubing Pump and Bailers CGU and determined that no impairment was required.

There is a significant amount of uncertainty with respect to the estimates of the recoverable amounts of the CGU's assets given the necessity of making key economic assumptions about the future. The value in use calculation uses key assumptions which include cash flows, growth opportunities, and the discount rate.

Cash flows

Cash flows were projected over a five year period and are based on internal forecasts, and risk assessments that take into account the unique operations. Revenue and expenses were projected over a five year period based on the Company's approved forecasts, long range plans, and for the November 30, 2014 impairment based on an external consultant's strategic plan for bear market conditions. Revenue and expense projections were also based on actual historical averages and historical growth rates. The valuation is sensitive to changes in the annual growth rate.

As tools within the CGU can be refurbished for longer term use, revenues and expenses beyond the five year projections were extrapolated using a growth rate equal to the Government of Canada Consumer Price Index ("CPI") as at the balance sheet dates.

Discount rate

A blended discount pre-tax rate of 33% was used to discount cash flows in the November 30, 2014 and February 28, 2015 valuation models. The valuation is sensitive to changes in the discount rate.

Variables and sensitivity

The value in use calculation involves the following variables and is subject to the following sensitivities to the variables used:

| | | February 28, 2015 | | November 30, 2014 |
|---|---|---|---|---|
| Compounded annual growth rate approximated | | 49% | | 44% |
| Government of Canda CPI as at balance sheet date | | 1.0% | | 0.9% |
| 2% increase / decrease in growth rate would decrease / increase impairment | $ | 596,104 | $ | 712,318 |
| 1% increase in discount rate would increase impairment | $ | 580,479 | $ | 769,540 |
| 1% decrease in discount rate would decrease impairment | $ | 626,545 | $ | 830,327 |

**(Canadian dollars)**

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

## 4. PROPERTY, PLANT AND EQUIPMENT

| As at February 28, 2015 | Tools and Equipment | Computer, automotive and office equipment | Leasehold improvements | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at August 31, 2014 | $ 9,244,144 | $ 953,205 | $ 592,492 | $ 10,789,841 |
| Additions | 158,753 | 42,000 | 25,932 | 226,685 |
| Reclassification | (242,673) | - | 242,673 | - |
| Disposals | - | (38,040) | - | (38,040) |
| Transfers to Inventory | (1,302,585) | - | - | (1,302,585) |
| Impact of foreign translation | 30,966 | 37,337 | - | 68,303 |
| Balance at February 28, 2015 | 7,888,605 | 994,502 | 861,097 | 9,744,204 |
| **Accumulated depreciation and impairment loss** | | | | |
| Balance at August 31, 2014 | (5,020,853) | (869,847) | (203,073) | (6,093,773) |
| Depreciation | (307,174) | (33,283) | (31,637) | (372,094) |
| Disposals | - | 21,600 | - | 21,600 |
| Transfers to Inventory | 841,346 | - | - | 841,346 |
| Impairment | (1,749,111) | (4,409) | - | (1,753,520) |
| Impact of foreign translation | (22,629) | (20,975) | - | (43,604) |
| Balance at February 28, 2015 | (6,258,421) | (906,914) | (234,710) | (7,400,045) |
| **Net book value** | | | | |
| Balance at February 28, 2015 | $ 1,630,184 | $ 87,588 | $ 626,387 | $ 2,344,159 |

Depreciation expense for the six months ended February 28, 2015 was $372,094 (February 28, 2014 - $327,282).

During the six months ended February 28, 2015 $461,239 of tools and equipment have been transferred to other assets and has been reflected in the net change in non-cash capital items in the statement of cash flows.

As at February 28, 2015 property, plant and equipment included tools and equipment under construction of $110,982 (August 31, 2014 - $319,639) that is not subject to depreciation. Equipment under construction costs of $242,673 have been reclassified to leasehold improvements.

**(Canadian dollars)**

## 5. INTANGIBLE ASSETS

| As at February 28, 2015 | Patents | Acquired licenses | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at August 31, 2014 | $ 4,860,765 | $ 264,627 | $ 5,125,392 |
| Impact of foreign translation | - | 16,501 | 16,501 |
| Balance at February 28, 2015 | 4,860,765 | 281,128 | 5,141,893 |
| **Accumulated amortization and impairment** | | | |
| Balance at August 31, 2014 | (1,547,952) | (69,733) | (1,617,685) |
| Amortization | (231,622) | (10,280) | (241,902) |
| Impairment | (3,081,191) | (188,766) | (3,269,957) |
| Impact of foreign translation | - | (12,349) | (12,349) |
| Balance at February 28, 2015 | (4,860,765) | (281,128) | (5,141,893) |
| **Net book value** | | | |
| Balance at February 28, 2015 | $ - | $ - | $ - |

Amortization expense for the six months ended February 28, 2015 was $241,902 (February 28, 2014 - $258,996).

## 6. SHARE CAPITAL

The Company's issued share capital is as follows:

*a) Issued common shares*

There were no changes in the Company's outstanding common shares, which have the following balances:

| | Number | Stated capital |
|---|---|---|
| Balance at August 31, 2014 | 82,956,240 | $ 66,438,909 |
| Balance at February 28, 2015 | 82,956,240 | $ 66,438,909 |

**(Canadian dollars)**

*b) Stock-based compensation plan*

The Company maintains an Employee, Director, Officer and Consultant Stock Option Plan under which the Company may grant incentive stock options for up to 10,771,558 shares of the Company at an exercise price equal to or greater than the market price of the Company's stock at the date of grant. All stock options awarded are exercisable for a period of five years and vest in equal tranches at three (3) month intervals over a period of eighteen (18) months.

*Movements in stock options during the period*

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

| | Number | Weighted average exercise price |
|---|---|---|
| Outstanding at August 31, 2014 | 2,430,000 | $ 0.55 |
| Granted | 100,000 | 0.25 |
| Cancelled / Forfeited | (125,000) | 0.28 |
| Expired | (245,000) | 0.72 |
| Outstanding at February 28, 2015 | 2,160,000 | $ 0.54 |

Subsequent to the reporting period 900,000 stock options were issued to Directors of the Company with an exercise price of $0.12. The stock options are subject to the Stock Option Plan, and expire March 17, 2020.

*Fair value of stock options granted during the period*

The fair value for the compensation costs of stock options issued to both employees and non-employees were calculated using the Black-Scholes option pricing model resulting in an additional charge to general and administrative expense with a corresponding increase in share based payment reserve, assuming the following assumptions for stock options issued during the period:

**(Canadian dollars)**

*Inputs into the model*

| | | February 28, 2015 |
|---|---|---|
| Share price at date of grant | $ | 0.15 |
| Exercise price | $ | 0.25 |
| Risk-free rate (based on 5 year Government of Canada bond) | | 1.20% |
| Expected volatility | | 79.52% |
| Dividend rate | | 0% |
| Expected life | | 3.63 years |
| Weighted average fair value of options granted during the year | $ | 0.07 |

During the six months ended February 28, 2015, the Company incurred $37,335 (February 28, 2014 - $91,669) in compensation expense relating to outstanding stock options.

c) *Share-based payment reserve*

| | As at February 28, 2015 | As at August 31, 2014 |
|---|---|---|
| Balance, begining of period | $ 8,879,699 | $ 8,691,895 |
| Share-based payments | 37,335 | 187,804 |
| Balance, end of period | $ 8,917,034 | $ 8,879,699 |

## 7. LOSS PER SHARE

The weighted average number of common shares outstanding for basic and diluted loss per share is 82,956,240 (February 28, 2014 - 82,956,240).

In determining diluted loss per share, the weighted average number of shares outstanding for the quarter ended February 28, 2015 and 2014 exclude all stock options eligible for exercise as the average market price of the common shares for the periods were less than the exercise price.

## 8. RELATED PARTY TRANSACTIONS

*Expense transaction*

The Company entered into a Consulting Agreement with a director of the Company to provide certain services for a monthly fee of US $5,000 per month. During the three and six month periods ended February 28, 2015, the Company recorded $18,069 (February 28, 2014 - $14,952) and $34,800 (February 28, 2014 - $31,908), respectively, in consulting expense, with $nil (August 31, 2013 - $nil) included in accounts payable and accrued liabilities.

## 9. SEGMENTED INFORMATION

The Company is a technology company and operates with one reportable segment that covers all aspects of the Company's business.

Wavefront considers the basis on which it is organized, including the economic characteristics and geographic areas, in identifying its reportable segment. The operating segment(s) of the Company is defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker of the Company is the President and Chief Executive Officer. The Company has one group of similar products due to having a similar underlying technology, class of customers and economic characteristics.

## 10. SEASONALITY OF OPERATIONS

Oilfield services offered by the Company are seasonable and related to the product offering and geographical extent to which products were offered for rent or sale. The Company's Powerwave stimulation and pump and bailer product offerings, in relation to oilfield services, involve the rental and sale of down-hole equipment. Due to temperature influences on ground conditions and customer budget cycles, the months of December through April have lower activities.

Management believes that the seasonality of operations will have minimal affects moving forward.