

ANNUAL INFORMATION FORM

of

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Suite 100, 17608 – 103rd Avenue N.W.

Edmonton, Alberta, T5S 1J9

Tel. No.: (780) 486-2222

March 23, 2010

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AUDIT COMMITTEE CHARTER

ANNUAL INFORMATION FORM

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Suite 100, 17608 – 103rd Avenue N.W.

Edmonton, Alberta T5S 1J9

Tel: (780) 486-2222 • Fax: (780) 484-7177

References in this annual information form to “Wavefront”, the “Issuer” and the “Corporation” include, as the context may require, Wavefront Technology Solutions Inc. and all or some of the companies in which it has an interest collectively or one or more of such companies.

All financial information in this AIF is prepared in accordance with accounting principles generally accepted in Canada (“**Canadian GAAP**”). Unless otherwise indicated, all dollar amounts are in Canadian dollars.

All information in this AIF is as of March 23, 2010 unless otherwise indicated.

Caution Regarding Forward-Looking Statements

This AIF contains certain statements regarding the Corporation and its operations, which 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 facts, including without limitation statements regarding future estimates, plans, objectives, assumptions or expectations or future performance, are “forward-looking statements”. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other comparable terminology. Statements of this type are contained in this report, including discussion of: the potential for future licenses for Powerwave and Primawave (see “Item 2.1 – Three Year History”); Wavefront’s position with respect to potential markets (see “Item 3.1.3 – Markets”); and Wavefront’s business strategy (see “Item 3.1.5 – Business Strategy”). These forward-looking statements are made 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 ending on the dates presented in this report. 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. 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 the Corporation 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” section, pages 12 to 15, in Wavefront’s management discussion and analysis for the fiscal year ended August 31, 2009, filed on SEDAR at www.sedar.com and incorporated by reference herein. In determining Wavefront’s forward-looking statements, Wavefront considers material factors including assumptions and expectations about: customer demand and adaptation 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. 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.

The forward-looking statements contained herein represent Wavefront’s expectations at March 23, 2010, and, accordingly are subject to change after such date. The Corporation expressly disclaims any obligation to up-date any “forward-looking statements”, other than as required by law.

ITEM 1: CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

The full corporate name of the issuer is Wavefront Technology Solutions Inc.

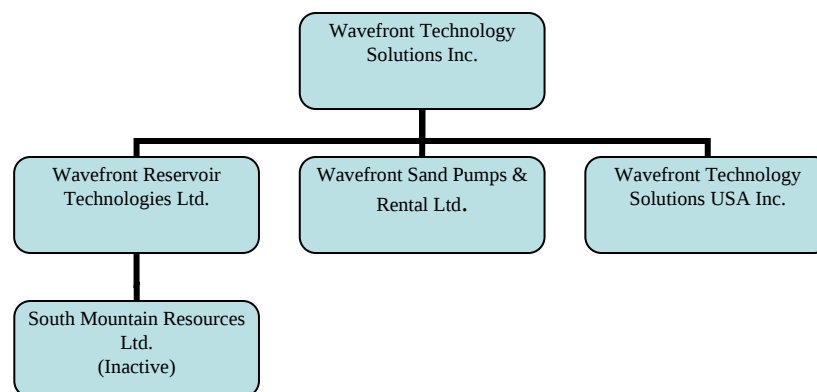
The Corporation’s head office is located at suite 100, 17608 – 103rd Avenue, Edmonton, Alberta, T5S 1J9. In addition to the head office, the Corporation maintains sales and / or field offices in Calgary, Alberta; Cambridge, Ontario; Lloydminster, Alberta; Houston, Texas; and Raleigh, North Carolina.

The registered office of the Corporation is suite 1040 - 999 West Hastings Street, Vancouver, British Columbia, V6C 2W2.

The Corporation was incorporated as Overthrust Petroleum Corporation under the British Columbia *Company Act* on December 8, 1980. The Corporation underwent several name changes and on September 30, 2003 was continued under the *Canada Business Corporations Act*. On September 1, 2006 the Corporation amalgamated with 4329350 Canada Inc. under the *Canada Business Corporations Act*. Effective March 27, 2009 the Corporations changed its name from Wavefront Energy and Environmental Services Inc. to “Wavefront Technology Solutions Inc.”

1.2 Intercorporate Relationships

As at the year ended August 31, 2009, the Corporation had the following intercorporate relationships:



Subsidiary	Percentage of Voting Shares	Percentage of Restricted Shares⁽¹⁾	Jurisdiction of Incorporation or Continuance
Wavefront Reservoir Technologies Ltd.	100	n/a	Alberta
Wavefront Technology Solutions USA Inc.	100	n/a	Delaware
Wavefront Sand Pumps & Rentals Ltd.	100	n/a	Alberta
South Mountain Resources Ltd.	100	n/a	Alberta

Note:

(1) “Restricted Shares” are non-voting shares in the capital of the Subsidiary.

Wavefront Reservoir Technologies Ltd., Wavefront Sand Pumps & Rentals Ltd., Wavefront Technology Solutions USA Inc. and South Mountain Resources Ltd. are referred to in this AIF as the “Subsidiaries” or individually as a “Subsidiary.” Each Subsidiary is 100% owned by its parent. The management of each Subsidiary is identical to that of the Corporation. As such, any reference to the “management of Wavefront Reservoir Technologies Ltd., Wavefront Sand Pumps & Rentals Ltd. or Wavefront Technology Solutions USA Inc.” should be read as a reference to the management of the Corporation and vice-versa.

The Corporation currently does not directly market any products or services, but does so through the Subsidiaries.

Wavefront Reservoir Technologies Ltd.

Wavefront Reservoir Technologies Ltd. (“**Wavefront Reservoir**”) was incorporated June 8, 2000 in Ontario as Prism Production Technologies Inc.. Effective April 27, 2004, Wavefront Reservoir changed its name to Wavefront Reservoir Technologies Ltd., and effective September 1, 2004 Wavefront Reservoir and Wavefront Environmental Technologies Inc. amalgamated under the name of Wavefront Reservoir. Wavefront Reservoir was continued under the Business Corporations Act (Alberta) on July 6, 2009 and is extra-provincially registered in Saskatchewan.

Wavefront Reservoir’s registered office is located at 2900, 10180 – 101 Street, Edmonton, Alberta, T5J 3V5. Wavefront Reservoir’s principal business office is located at Suite 100, 17608 – 103rd Avenue, Edmonton, Alberta, T5S 1J9 and has a sales office in Calgary, Alberta.

Currently, the Corporation owns 100 percent (10,248,800 shares) of the total issued and outstanding Class A Common shares in the capital of Wavefront Reservoir. The Class A Common shares are the only issued and outstanding shares in the capital of Wavefront Reservoir.

Wavefront Reservoir incorporated a subsidiary, South Mountain Resources Ltd. (“**South Mountain**”) in August 2001 in Alberta with the intent of participating in joint venture oil field projects and/or to acquire oil field properties in Alberta where its core technology, Powerwave, can be utilized with flooding techniques such as water, CO₂, polymer, and so on, to rejuvenate and / or increase production in an oil field. Currently, Wavefront Reservoir owns 100 percent (6,000,000 shares) of the

total issued and outstanding Class A shares in the capital of South Mountain. South Mountain has not been active to date and has yet to carry on any business activities.

Wavefront Sand Pumps & Rentals Ltd.

Wavefront Sand Pumps & Rentals Ltd. (“**Wavefront Sand Pumps**”) was incorporated May 25, 1995 in Saskatchewan and was continued under the Business Corporations Act (Alberta) on February 5, 2009. Wavefront Sand Pumps is extra-provincially registered in Saskatchewan. Wavefront Sand Pumps’ registered office is c/o 2900 Manulife Place, 10180 – 101 Street, Edmonton, Alberta, T5J 3V5. Wavefront Sand Pumps is located in Lloydminster, Alberta. Currently, the Corporation owns 100 percent (27 Class A shares, and 100 Class E shares) of the total issued and outstanding shares capital of Wavefront Sand Pumps. The Class A and Class E Common shares are the only issued and outstanding shares in the capital of Wavefront Sand Pumps.

Effective January 31, 2009, the Corporation acquired (the “**Predator Acquisition**”) all of the issued and outstanding shares of Predator Pumps Ltd. (“**Predator**”), a privately-held Alberta company that provides specialized pumping equipment and services for use in heavy oil wells. Predator was involved in the same tubing pump and bailer markets as Wavefront Sand Pumps & Rentals Ltd. The Predator Acquisition was completed in an effort to expand the Corporation’s asset base of tubing pumps and bailers and to gain greater market presence beyond the local western Canadian market. Subsequent to the Predator Acquisition, the Corporation transferred all Predator assets to Wavefront Sand Pumps and dissolved Predator.

Wavefront Technology Solutions USA Inc.

Wavefront Technology Solutions USA Inc. (“**Wavefront USA**”) was incorporated as E2 Solutions USA Inc. in March 2002 in the state of Delaware and changed its name effective July 3, 2003 to Wavefront Energy and Environmental Services USA Inc. Effective April 21, 2009 Wavefront USA changed its name from Wavefront Energy and Environmental Services USA Inc. to Wavefront Technology Solutions USA Inc. Wavefront Technologies owns 100 percent (1,000 shares) of the total issued and outstanding Class A Common shares in the capital of Wavefront USA. The Class A Common shares comprise all of the issued and outstanding shares in the capital of Wavefront USA.

Wavefront USA’s registered office is located at 1209 Orange Street, City of Wilmington, County of New Castle, Delaware. Wavefront USA’s principal business office is located at 9774 Whithorn Drive, Houston, Texas, 77095 and has a sales office in Raleigh, North Carolina.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three Year History

The Corporation’s business is to develop and commercialize an innovative process for fluid flow having primary application in the environmental and energy sectors. The Corporation’s core technology generates powerful fluid pulses to momentarily expand the pore structure of rock and soil, which dramatically improves liquid flow in the ground. The fluid pressure-pulse created generates highly uniform waves of fluid to “push” oil to extraction wells or distribute treatment chemicals to be in better contact with contaminants. This patented fluid flow process is marketed in the energy sector as Powerwave™ and in the environmental sector as Primawave™ (collectively referred to in this AIF as the “**Technology**”).

Despite successfully implementing Powerwave on a pilot scale with multiple clients in Alberta and Saskatchewan, one impediment to full commercialization was the lack of verifiable data regarding injection and corresponding oil production benefits. The obstacle of having verifiable data stemmed from a competitive situation where Powerwave clients have operated in “tight holes” (i.e., clients have required, except in limited circumstances, Wavefront to keep all information and resulting data pertaining to their oilfields operation and use of Powerwave confidential and, specifically to not disclose such information and data to competing producers). To overcome this obstacle, the Corporation acquired working interest in the production, equipment and mineral leases of an oilfield situated in Rogers County, Oklahoma, and set out to showcase Powerwave.

Rogers County was targeted to showcase Powerwave for the following reasons:

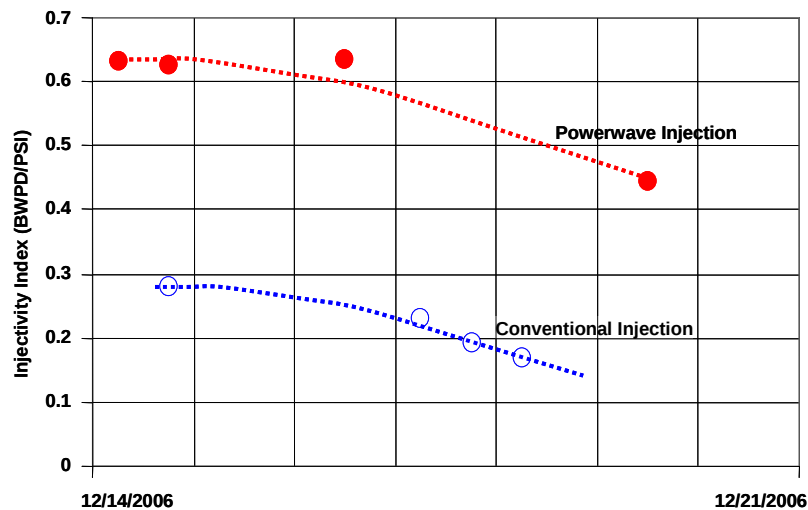
- i) Except for one pilot scale project in Germany, all prior work was undertaken in Canada in proximity of the Alberta/Saskatchewan heavy oil belt. Management believed that having a showcase in the United States, the largest geographic area of secondary and enhanced oil recovery worldwide would assist the Corporation in accessing an untapped market.
- ii) Since the majority of prior Powerwave installations were in heavier oil, there existed a misconception that Powerwave was a heavy oil technology. Powerwave and its environmental counterpart Primawave, in fact excel, in reservoirs of higher fluid viscosity as the waveforms propagate through the fluid saturated porous media more readily. Management therefore believed targeting an oilfield with lighter oil and obtaining relevant water injection and oil production data would assist in nullifying this misconception.
- iii) The Corporation’s working capital position, at the time of acquisition, was such that it could only target “stripper fields” (i.e., by definition an oilfield where production is less than 10 barrels of oil per day (“**bbl/d**”)).

Of the 1,370 acres under lease in Rogers County, the Corporation developed approximately 205 acres (or 17.25% of total acreage). The development that occurred had to be to the standards of a more prolific oilfield as the Corporation’s targeted customers are oil producers having a minimum production level of 1,000 bbl/d.

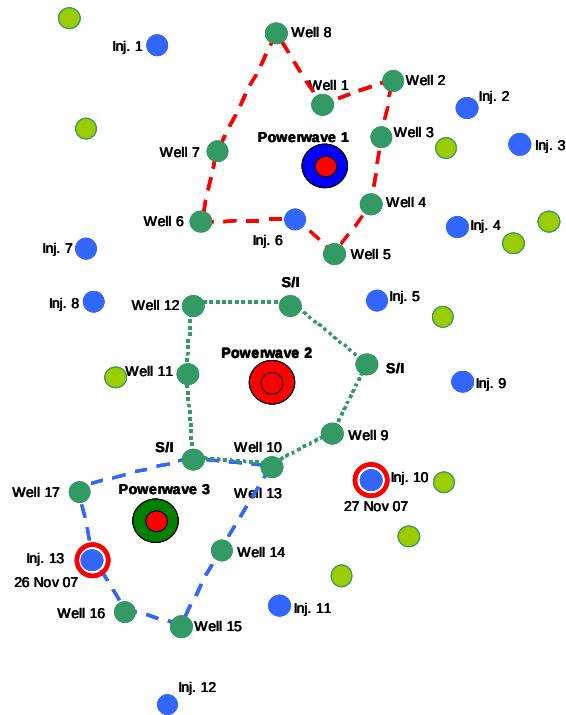
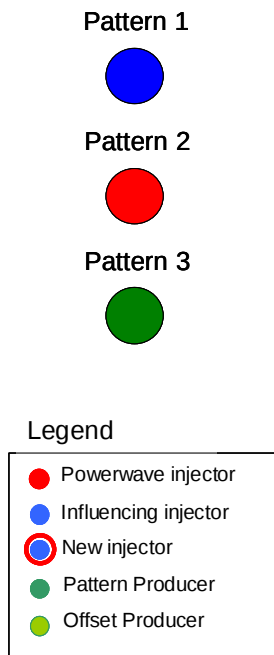
Following clients requests for additional verifiable data from multiple data sets, from different geological locations and formations, the Corporation in 2006 entered into a “Farm-in” Agreement with Greentree Gas and Oil Ltd. (“**Greentree**”) to develop Greentree’s Rodney South oil field with Powerwave, and acquired 100 percent of the working interest in approximately 1,679 acres in south-western Young County, Texas and a 50 percent working interest in the located in north central Taylor County, Texas.

As a focused technology-based company, the Corporation determined that it was not necessary to fully develop the entire Rogers County acreage to quantify the benefits of Powerwave as well as to gain long-term performance data of Powerwave systems. With a section of Rogers County developed to a stage that could showcase Powerwave, a senior reservoir engineer of a multinational client analyzed and summarized the historical Powerwave injection data obtained for Rogers County into the graphical presentation below. The graph displays the injection benefit of Powerwave versus conventional injection where water is injected through open-ended tubing. In this analysis Powerwave provided a doubling of

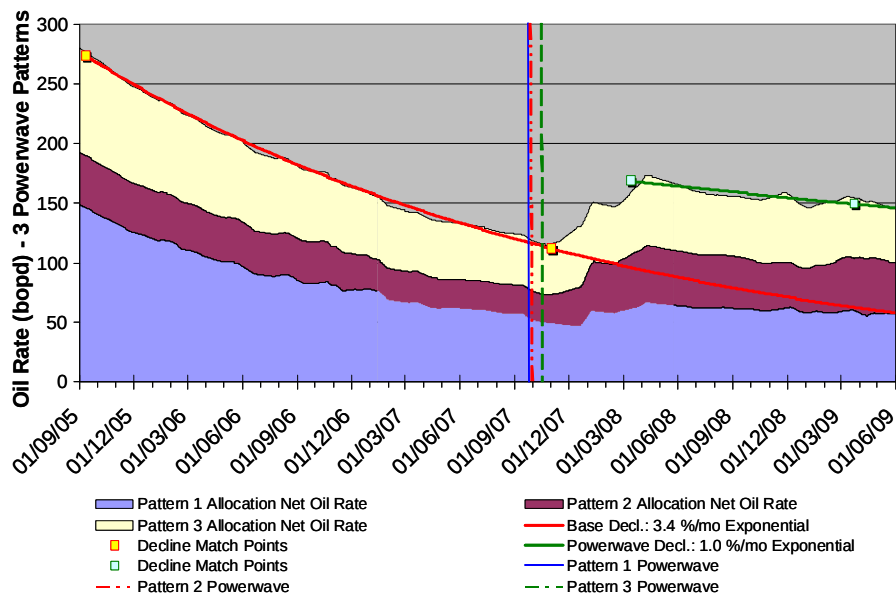
the injection rate at the same relative injection pressure. The potential benefit of increased injection is important to oil producers as water throughput influences fluid production rates. For example, in a volume balanced system for every one barrel of water injected one barrel of fluid is produced. By increasing water throughput without having to ratchet-up the pressure, if two barrels of water were injected as in the case study provided, it would equal two barrels of fluid production. Hence, the oil company gains benefits of increased throughput, increased fluid production as well as reduced electrical consumption as it has increased throughput without the need to ratchet-up pressure (i.e. higher pressures require more horsepower which equates to greater electrical consumption).



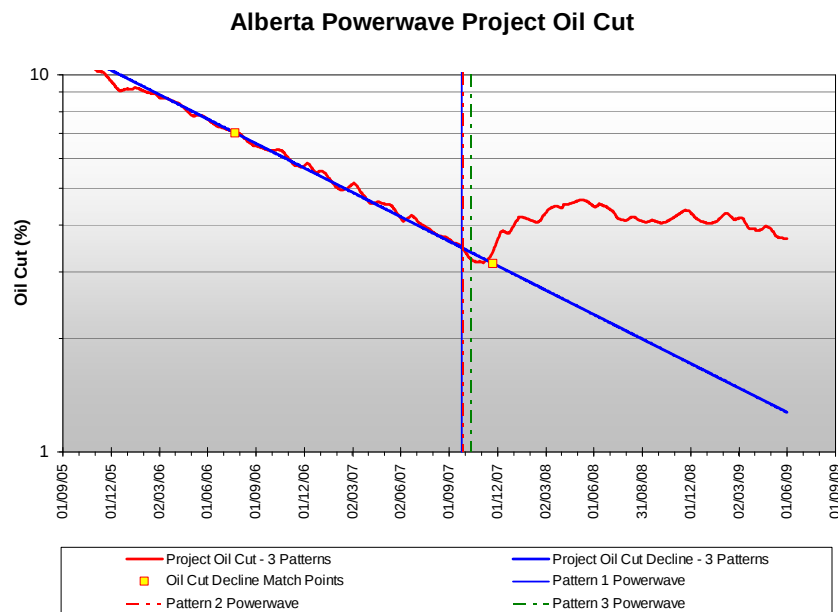
The verifiable water injection data from Rogers County and the third party data analysis led to a pre-commercialization program with a major Canadian oil producer in Alberta. In the program three Powerwave systems were installed in existing water injectors having a long history of injection. The three Powerwave-driven water injectors influenced a total of 16 production wells in three production patterns as illustrated below.



During the Alberta project, two new injectors came on line and affected the production from two of the three patterns but, as the patterns had already responded to Powerwave, it was possible to apportion benefit between the two and remove the effect of the increased water injection from the data. The new injectors have been marked on the above map with a red circle. The figure below shows oil production decline from the three production patterns decreasing from a pre-Powerwave value of 3.4% per month to 1.1% per month during the Powerwave project. All data in the figure below was provided to Wavefront by its client.



The figure below shows the average oil cut response for the three pattern production wells. As shown the Powerwave related oil cut has increased and is held relatively stable versus the non-Powerwave oil cut. All data in the figure below was provided to Wavefront by its client.



After a 24-month operational period Powerwave provided a 168 per cent increase in oil production above that which would have been produced based on the natural production decline rate established for the three water injection patterns where Powerwave is deployed. Oil decline rate fell 68 per cent, decreasing from a pre-Powerwave rate of 3.4 per cent per month to 1.1 per cent per month with Powerwave. Contributing to the fall in oil decline rate was an increase in incremental oil cut (percentage of oil per barrel of produced fluid). Oil cut increased from a pre-Powerwave value of 1.05 per cent to 2.54 per cent with Powerwave. With such results the Corporation and the client are in active discussion towards a long term master agreement for the use of Powerwave across the client's assets. In the interim, the two parties have agreed to amend the existing 3-system agreement for the Alberta project to include two additional oil fields where Wavefront will initially provide a minimum of 35 but up to 50 Powerwave systems, with approximately two-thirds of those Powerwave systems targeted for the existing Alberta site.

The success of the Alberta project has also spurred considerable interest from oil producers across North America leading to new and continuing water and CO₂ flooding projects in locations including but not limited to Mississippi, Texas, Alberta, Alaska, Saskatchewan, California, and Michigan. Of note was the first deployment of Powerwave on an offshore platform near Long Beach, California where Powerwave is employed to improve the rate of water injection.

In Michigan, Powerwave increased the rate of CO₂ injection by approximately 70%. Positive injection results were also obtained for injection in a Mississippi CO₂ flood where the rate of injection improved by 27% with Powerwave. Based on these results both operators have indicated a desire to expand the Powerwave programs.

Following the Corporation's decision to terminate the license and collaboration agreements with Halliburton Energy Services Inc. ("**Halliburton**"), the Corporation embarked on re-branding its single well stimulation technology offering with the Powerwave. A new tool design, that was jointly developed

with Halliburton with all intellectual property rights being held by the Corporation, can be utilized for both coil tubing and jointed pipe applications and will form the basis of the Corporation's technology offering for well stimulation and intervention services.

Presently, the Corporation offers Powerwave based on book rates of \$6,000/month for long-term Powerwave floods and \$4,000/day for Powerwave single well stimulations (also referred to as workovers), less negotiated discounts that vary from client to client. As is typical in the industry discounts are almost always provided to book rates. The Corporation has in addition, offered rapid installation discounts and other inducements to have Powerwave systems deployed in certain oilfields, where the strategy is larger scale commercialization across the oilfield and then to other oil field assets owned or operated by the client.

As at November 30, 2009, the Corporation had 157 confirmed Powerwave licenses, inclusive of 36 Powerwave licenses related to the Subdireccion Tecnica de Explotacion, a department of Pemex PEP ("Pemex") and a minimum of 35 to the Alberta Powerwave project clients (see above results discussion), with 33 plus clients.

Primawave is a highly effective method for enhancing in situ remediation by increasing both fluid injection delivery rates and radius of influence of the remedial fluid; as well as minimizing or eliminating remedial fluid surfacing. In a highly successful New Jersey program Primawave helped decrease the number of injection points required at the site by 75 per cent from a planned 483 injection points to 120, reducing time in the field by more than one month. The magnitude of this success as well as other positive results has led various consulting and service companies in the European Union to apply to become licensed service providers. One Primawave project has thus far been executed in Europe. Through its Primawave certified licensee, Coffey Environments in Australia, successfully implemented Primawave with an international oil producer to aid in the remediation of a contaminated site. Based on this result the Corporation anticipates further work to undertaken by the end user across its many sites undergoing remediation. This work represented the first Primawave undertaking outside of the North American market.

Presently, the Corporation offers Primawave based on book rates of \$8,000/month or \$1,000/day, less negotiated discounts that vary from client to client. As is typical in the industry discounts are almost always provided to book rates. The Corporation has in addition, offered other discounts and inducements to have Primawave systems available to specific agents in certain markets.

Powerwave and Primawave results are being recognized by prospective clients around the world. During fiscal 2009 the Corporation sought to establish distribution and sales channels for the Technology. To this end the Corporation initiated certain distribution initiatives for Powerwave in California, Mexico and Asia Pacific, and for Primawave in Colorado, Australia and Denmark. The Corporation will embark on a extensive marketing program in Latin and South America where considerable production decline has been identified as an immediate concern for National Oil Companies and their partners. In Asia Pacific, the Corporation continues discussion on the use of Powerwave with various national oil companies and internationally recognized oil producers operating in the region.

ITEM 3: DESCRIPTION OF THE BUSINESS

3.1 General

The Corporation determines its reportable segments based on the structure of its operations, which are focused in two principal business segments – the deployment of technology and equipment to third parties in return for rental and royalty income and, the development of oil and gas properties utilizing the Corporation’s Powerwave technology and equipment.

3.1.1 Summary of Products and Services

Powerwave

Prior to 1920, virtually all oil was produced by natural depletion, and injection of water into the reservoir was, in many areas, illegal. During the 1930’s and 40’s water injection was seen to have great benefits for oil production rates and reserve recovery, and by the 1950’s it had become accepted worldwide as the standard recovery process for most reservoirs. Since then, the flooding process has been improved by injecting polymers, chemicals or other Enhanced Oil Recovery (EOR) / Improved Oil Recovery (IOR) agents, but the method of injection has fundamentally not changed.

Proper placement of the flooding agent is the key to both short-term oil production rate and the ultimate oil recovery. Proper fluid placement can be achieved with Powerwave, which represents another step change in the process of recovering more oil from existing discoveries. Powerwave is applicable to virtually all oil field flooding processes involving injection. Production increases provided by Powerwave allow asset managers to reassess reserve estimates and potentially increase asset values.

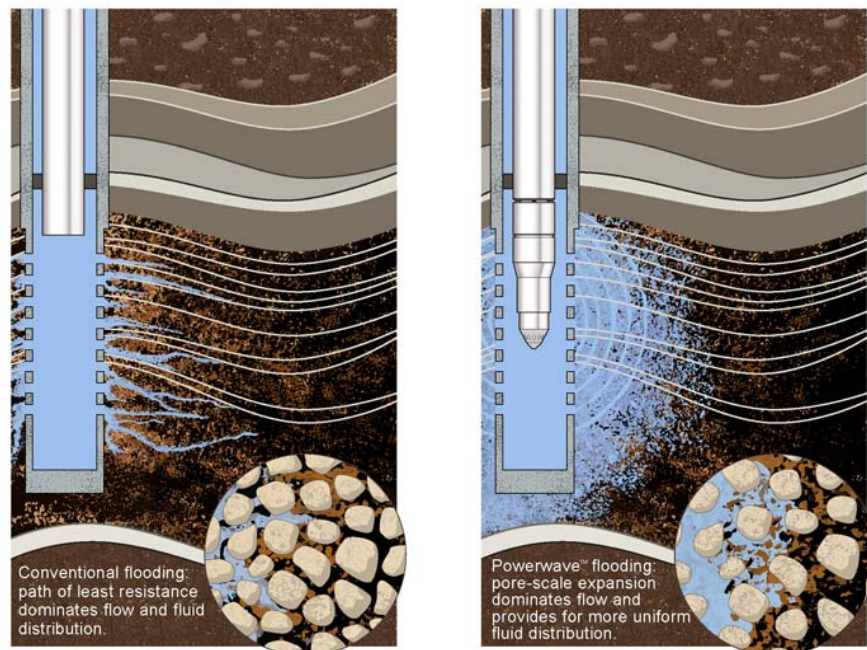
Powerwave has its origins in porous media and applied wave theory research. It has long been known that large earthquakes can affect the fluid levels in water wells, stream levels, geyser activity, and in the production of oil from oilfields. It was long assumed that this was a seismic effect, until it was seen after the giant 1964 Alaskan earthquake that the radius of influence was moving at approximately 100 m per second. It was clear this was not a seismic effect, but it took another 25 years of research and development to understand what lead to the phenomenon and to tool designs that would recreate the effect, first in the laboratory and later in the field.

Powerwave is a cost-effective, economically beneficial optimization technique for existing oil recovery and oil well stimulation strategies that employ injection. Powerwave is an adjunct technology that can increase both oil production and reserves from existing assets. Production increases related to recent Powerwave projects have been demonstrated to far exceed minimum payback requirements.

There are two primary uses of Powerwave in the oil sector. The first is enhanced or improved oil recovery. Enhanced or improved oil recovery is an approach involving the injection of water, polymers or CO₂ (other fluids are also injected) into the reservoir through dedicated wells to displace by-passed oil. The injected fluids ‘sweep’ or ‘push’ by-passed oil to adjacent production wells. Potential problems associated with flood approaches include inefficient distribution of the injected water due to variable reservoir conditions, or early water breakthrough to production wells. Both of these problems can be minimized or mitigated with Powerwave. Enhanced or improved oil recovery projects tend to last the remaining productive life of the assets, which can be many years or often decades.

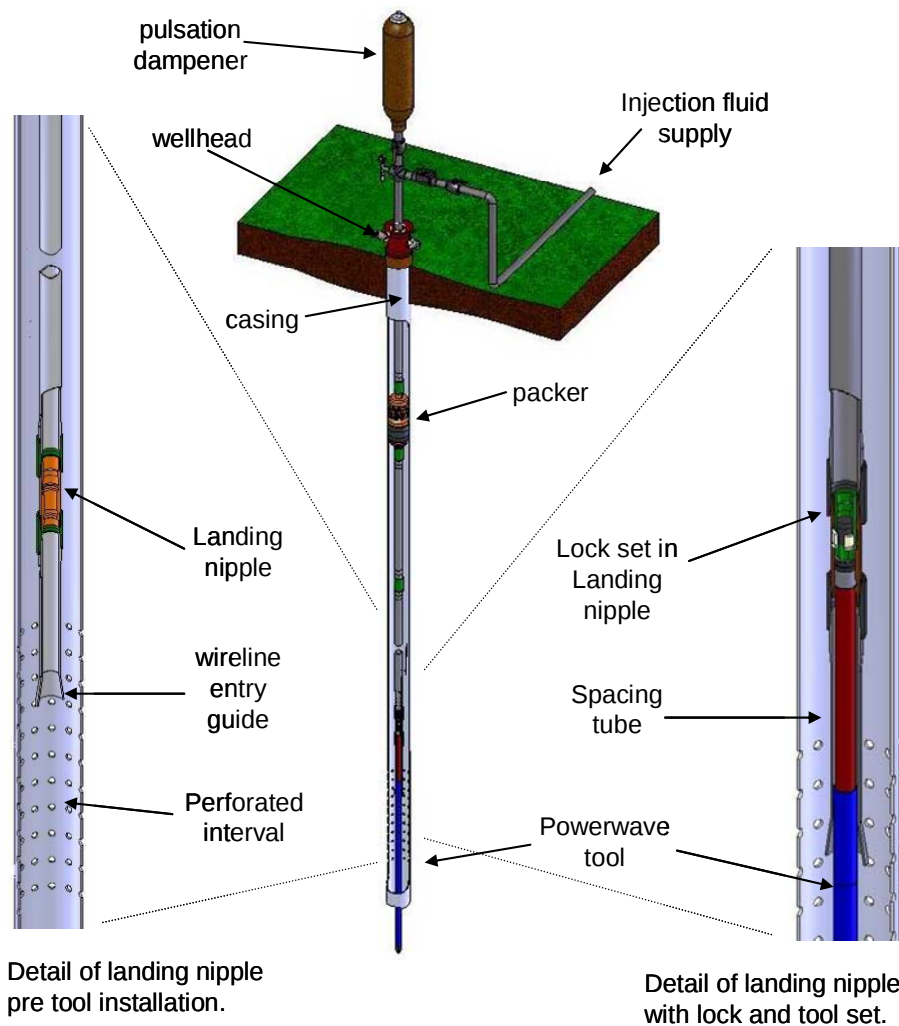
Powerwave pulses injection liquids into the reservoir at rates designed specifically for site characteristics including permeability, fluid viscosity, and so forth. The generated fluid pulses are highly effective in controlling fluid injection because:

- Powerwave creates fluid pressure pulses that push fluid through the rock. Traveling at speeds typically around 80 to 300 meters per second, fluids accelerate through the pore openings and force trapped fluids out of the pore spaces. This improves recovery by reducing the residual oil saturation in the region affected by the Powerwave fluid displacement waves.
- The pressure gradients involved in normal flow of fluids through the reservoir are generally very small when viewed at the cm scale, yet small differences between these pressure gradients determine the path of least resistance that governs normal flow of fluids. Typical amplitude used for a waterflood is around 250 psi, but this could be higher for tight formations. As a result, the local pressure gradients associated with Powerwave completely dwarf those associated with normal fluid flow in reservoir causing diversion of fluid away from the traditional path of least resistance.
- The Powerwave pulses force fluid into the spaces between the grains of rock or sand, causing a very small, and completely harmless, expansion and contraction of this space and thereby giving rise to an improved dynamic permeability.
- The increase in dynamic permeability and the fluid displacement pulses allow liquids to travel more evenly through the reservoir as illustrated in the following figure. The continuous, rapid expansions and contractions produced by the Powerwave system creates more uniform fluid dispersal and accelerate the movement of all fluids toward the production wells.

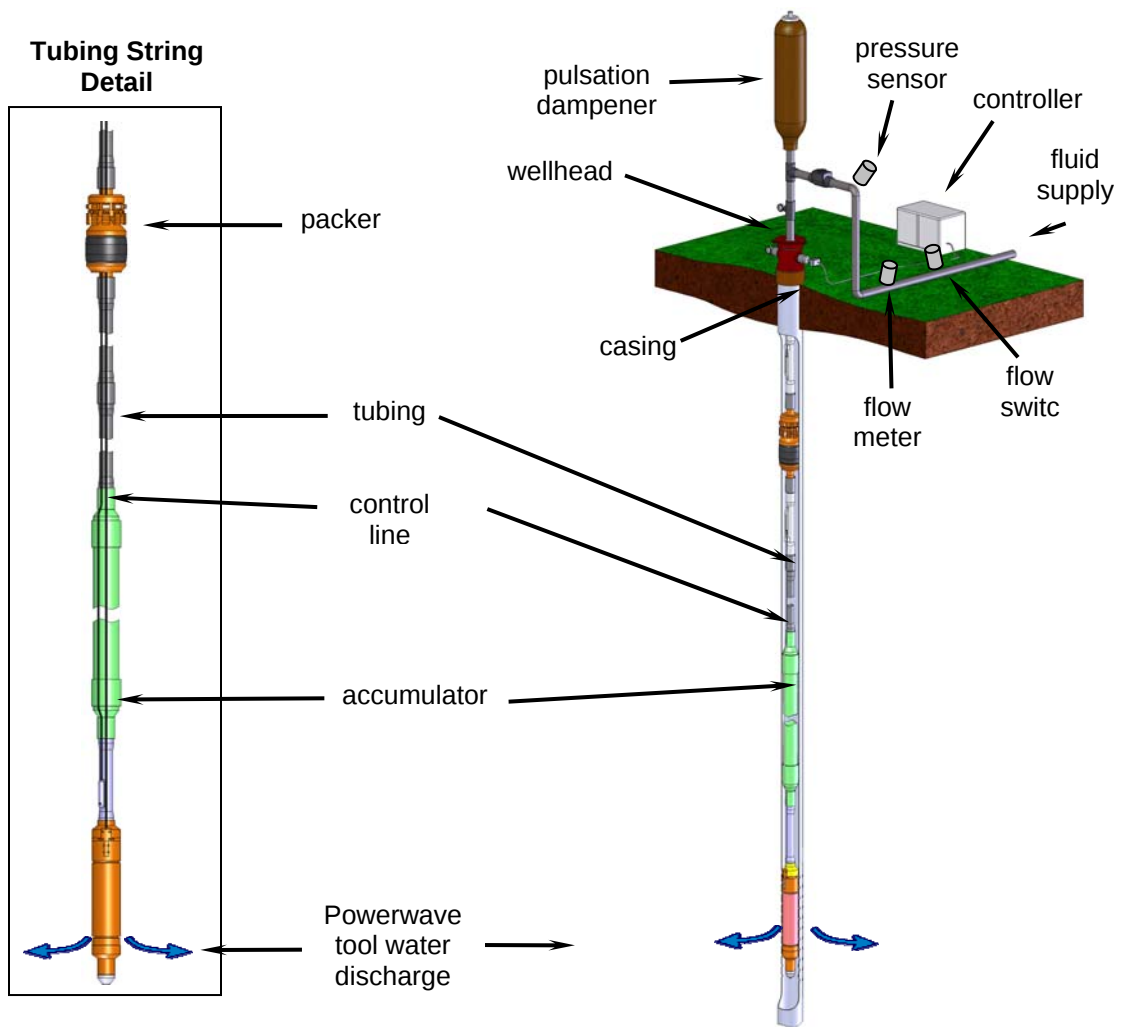


To create the fluid pulsation, the Corporation has designed Powerwave systems that consist of a downhole assembly that is added to the existing oil field injection equipment. There are two basic Powerwave systems used to create the Powerwave pulse for permanent flooding applications. A wireline

deployed system is a fully mechanical Powerwave system set by wireline in the well as illustrated in the following figure. This form of a Powerwave tool is solely operated by the water injection stream.



The second Powerwave system is a tubing conveyed Powerwave system (shown in the below figure), attaches to the downhole end of the injection tubing at a perforated interval in the well, discharging fluid in a pattern of controlled, rapid pulses. This high-speed circumferential valve is an electrically controlled device driven surface-mounted computer.



The Powerwave system are designed to be cost-effective, requiring minimal installation and operating maintenance, such that oil field operators can install and maintain them with minimal Wavefront intervention. The Powerwave systems have been used in third party client oil fields (see section 3.1 Three Year History) to improve performance of water, CO₂, chemical, and surfactant injection, in addition to well stimulation projects.

The second use of Powerwave is in oil well stimulations (workovers). An oil well stimulation is a remedial operation performed on a producing well in order to restore or enhance productivity. In many instances a chemical, surfactant or acid is pumped into the well to stimulate a producing interval however during this operation the importance of placing the chemical correctly is often underestimated. Well stimulations are generally completed in hours or days.

Primawave

More than 40% of the world's developed land is contaminated to some degree. Most of this is part of the legacy of commercial growth and economic development from a time in which regulators and industries alike were simply not aware of the long-term negative impacts substances such as heavy

metals, PCBs, pesticides, solvents, etc. could have on human health and the environment. Former disposal sites, refineries, chemical plants, automotive facilities, power generating facilities, above and below ground fuel storage sites, municipal and industrial landfills, wood preserving sites and military training areas are just a few examples of sites that were once compliant with regulations but no longer meet today's standards. We continue to use chemicals with improved knowledge and controls because they remain a fundamental component of progress; however, accidents, leakages and spills still happen, often despite the best intentions of all involved. This is the reality for today and tomorrow.

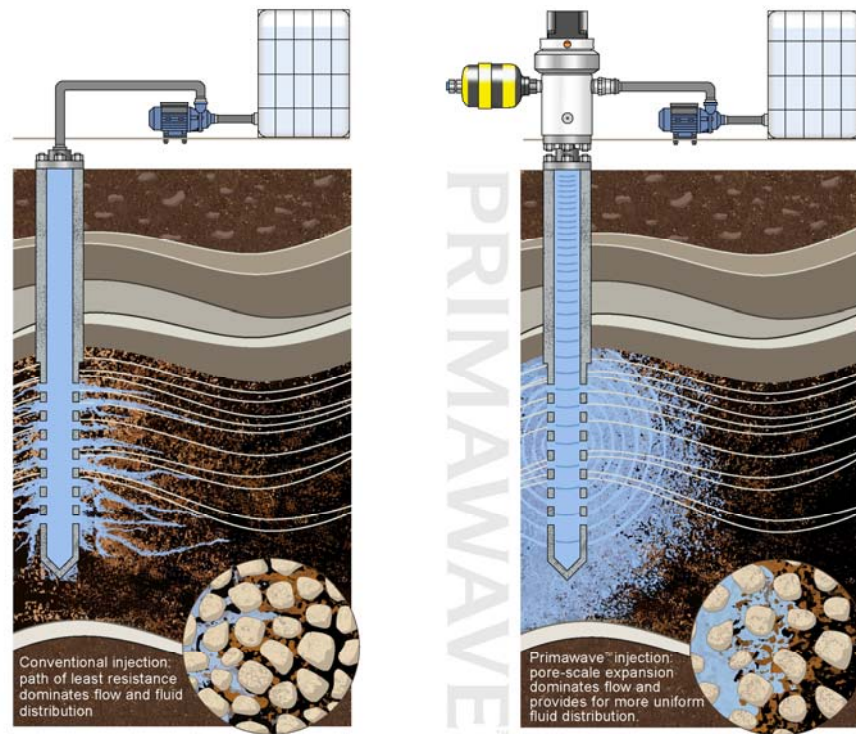
Increasingly stricter government regulations are resulting in those who own contaminated land having to invest in site remediation, but beyond this compliance "the cleaning up" of contaminants in soil and/or groundwater can transform the problem into opportunity and the liability into an asset. Not only is it an investment in the future, in the renewal of valuable community assets and in clean land and water for development but by extension it is also an investment in all the corresponding revenues and progress that come from such development. However, although the demand for site remediation continues to grow daily around the world, conventional site remediation technology unfortunately tends to be costly, lengthy and in the case of difficult settings, sometimes near impossible. Site owners and regulators are looking for advanced solutions to address these challenges and close the existing technological gap.

There are currently two basic approaches for the remediation of contaminated sites. The first is ex-situ treatment, which involves the removal of the contaminated material for treatment and proper disposal. An example of a conventional ex-situ containment/remediation method used since the 1980s is known as the "pump-and-treat" method. This involves injecting groundwater in a contaminated area with the intent of driving the contaminant to production wells, where the contaminant is pumped out of the ground for treatment and proper disposal. Pump-and-treat methods tend last longer periods of time, sometimes encompassing years.

The second remediation approach is the in-situ approach, which involves treating the contaminants onsite, which involves far less disturbance to the surrounding environment than ex-situ treatments. This usually consists of some form of remedial fluid combined with a mechanical method of delivering the treatment liquid to the contaminant in the ground. In fact, up to 80% of in-situ remediation technologies are water-based and involve the application of an active agent. For example, in-situ bioremediation involves adding a carbon substrate to stimulate biological activity to remediate the contamination. In-situ methods are shorter in duration and can last hours to days per injection site.

Primawave enhances existing in-situ site remediation systems, which means there's no need to invest in expensive new systems. It improves their efficacy and accuracy, even in difficult settings. It speeds up the remediation process and it streamlines costs. In the same manner as Powerwave benefits the oil sector Primawave generates powerful fluid pulses to momentarily expand the effective fluid pore structure of the rock and soil, which dramatically improves fluid flow in the ground. It is a highly effective method to improve the delivery and increase the contact between the treatment agent and the contaminants. Additionally, Primawave tools are designed to be integrated into any injection design, and can be used with direct push rods or traditional injection wells.

Primawave gives an improved flow profile (see figure below) of the remedial fluid being injected and increases contact with the groundwater contaminant. In conventional injection processes, the remedial fluid takes the path of least resistance—but this is not always the most comprehensive or effective path. In-situ remediation is often referred to as a contact sport. Where traditional in-situ technology falls short, Primawave achieves the contact necessary to expedite site cleanup.



The Corporation's business model is to create a recurring revenue streams by licensing its technology to the user community for fixed durations. In licensing the technology, the Corporation provides end users of Powerwave or Primawave system to carry out the licensed process. As the value proposition to the end client is in the process, at no time are the Corporation's systems transferred or otherwise sold to third parties. As such the Corporation capitalizes Powerwave and Primawave systems.

Pumping Solutions: Shark Pumps

The Corporation also provides tubing pumps and bailers ("**Shark Pumps**") that are used in enhancing heavy oil recovery. The Wavefront Shark Pump is a highly versatile tubing pump that provides an effective lift system for many oilfield applications and is used in many different operating environments including:

- Heavy oil wells producing sand
- Light oil wells
- High water cut wells
- De-watering of gas wells

The Shark Pump offers many advantages over normal pumping systems such as Progressive Cavity Pumps (PCP) or conventional reciprocating pumps, utilizing Wavefront's patented 'Coil Access Valves' allowing access through the pump from surface through the pump to the perforations or area below the pump without retrieving the pump. This can result in significant cost savings if the well has a tendency to fill up with solids or requires chemical or acid treatments.

The robust design of the Shark Pump allows for production of hot fluids to above 250 deg C (482 deg F) allowing it to be used in Cyclic Steam Floods and Steam Assisted Gravity Drainage (SAGD) applications.

Inclusion of a Powerwave Surge Cup Tool in the Shark Pump installation provides reservoir stimulation pumping operations. This module generates small fluid displacement waves that help ensure that the near wellbore area does not plug with fines or formation debris which can result in a significant drop in productivity.

The Shark Pump design is also ideally suited for production of formation debris and it can operate with initial solids cuts in the 90% range, continuous solids cuts between 50 and 60% and long term average solids cuts in the 15 to 20% range. The below figure shows debris produced from a heavy oil well by a Shark Pump installed in Alberta.



The Corporation entered into the Shark Pump product line through the acquisition of Top Gun Sand Pumps & Rental Ltd. in fiscal 2008. In order to gain greater market share the Corporation also acquired Predators Pumps Ltd. in fiscal 2009. The Top Gun and Predator acquisitions were also done with the strategy to push market adaptation of Powerwave in the well stimulation and intervention markets. Prior to the Top Gun acquisition, Top Gun's services incorporated Powerwave, for heavy oil production optimization in wells where there are high percentages of sand being produced. Thus, the Top Gun acquisition also allowed the Corporation to control a new application of the Corporation's technology in heavy oil well intervention market.

3.1.2 **Intellectual Property**

The following table outlines the Corporation's patents owned or assigned to it or for which it has fully-paid up rights to:

Patent Title	Patent Number	Status	Country
Enhancement of Flow Rates Through Porous Media	2232948	granted	Canada
Enhancement of Flow Rates Through Porous Media	2324819	granted	Britain
Enhancement of Flow Rates Through Porous Media	6241019	granted	USA
Enhancement of Flow Rates Through Porous Media	6405797	granted	USA

Patent Title	Patent Number	Status	Country
Enhancement of Flow Rates Through Porous Media	6851473	granted	USA
Enhancement of Flow Rates Through Porous Media	2412675	granted	Britain
Enhancement of Flow Rates Through Porous Media	11/050,671	granted	USA
Enhancement of Flow Rates Through Porous Media	2502800	pending	Canada
Borehole Seismic Pulse Generation Using Rapid-Opening Valve	2621855	pending	Canada
Borehole Seismic Pulse Generation Using Rapid-Opening Valve	BR-PI-0617008-0	pending	Britain
Borehole Seismic Pulse Generation Using Rapid-Opening Valve	12/066,516	pending	USA
Borehole Seismic Pulse Generation Using Rapid-Opening Valve	MX/a/208/003651	pending	Mexico
Borehole Seismic Pulse Generation Using Rapid-Opening Valve	06824978.8	pending	Europe
Borehole Seismic Pulse Generation Using Rapid-Opening Valve	2006339418	pending	Australia
Placement of Fluids in Ground by Pulse Injection	BR PI 0714988-3	pending	Britan
Placement of Fluids in Ground by Pulse Injection	12/441,942	pending	USA
Placement of Fluids in Ground by Pulse Injection	2007302573	pending	Australia
Placement of Fluids in Ground by Pulse Injection	7815898.7	pending	Europe
Placement of Fluids in Ground by Pulse Injection	2663703	pending	Canada
Placement of Fluids in Ground by Pulse Injection	9009024	pending	Mexico
System for Injecting Fluid into a Borehole	CA2009/000040	pending	PC
System for Pulse-Injecting Fluid into a Borehole	ca2009/000567	pending	PC
Environmental Tool for Pulsed Injection of Liquids	907081.4	pending	Britain
Method and Apparatus for Generating Fluid Pressure Pulses ¹	7,405,998	granted	USA
Pass Through Valve and Stab Tool ²	7,051,813	granted	USA
Pass Through Valve and Stab Tool ²	2,460,712	granted	Canada
Apparatus and Method for Increasing Production Rates of Immovable and Unswept Oil Through the Use of Weak Elastic Waves ³	5836389	granted	USA

Notes:

- (1) Through the former Collaboration the Corporation held with Halliburton Energy services the Corporation was assigned a 50% interest in the patent which relates to a tool used to carry out the Powerwave for well stimulation.
- (2) The Corporation acquired a 50% interest in this patent through the acquisition of Top Gun Sand Pumps & Rentals Ltd. that closed in March 2007. The assigned patent relates to a tool design used predominantly in heavy oil recovery.
- (3) The Corporation acquired a fully paid-up interest in the patent from Gas and Oil Enhancement Tools, LLC. In February 2007 to augment its portfolio of technology related to fluid flow and enhanced oil recovery methodologies.
- (4) All other patents are wholly owned by the Corporation and relate to Powerwave and / or Primawave.

The patents the Corporation has obtained will expire between 2016 and 2025, and the average remaining life of our patents is approximately 10.39 years. The Corporation maintains an intellectual property strategy of building additional patent portfolio, that is evident by the numerous patent pending applications and filings, around the initial core patent of Enhancement of Flow Rates Through Porous Media.

To enhance the long-term value proposition with the underlying process, Powerwave and Primawave have also been trademarked.

Central to the Corporation's intellectual property strategy is the understanding that wave energy is created and propagated through a fluid "pulsating" action (not unlike the beat of a heart), in wellbores having direct fluid communication with the ground matrix. From the initial wave theory developed by Tim Spanos, PhD., the Corporation has developed a "**Pulsing Analyzer**". The Pulsing Analyzer incorporates a library of data sets and embodies the theory, analytical solutions of the theory, and algorithms and simulators that provide numerical solutions to the theory and is used to perform an analysis of pulsing and its possible effects in a given geological setting.

The Pulsing Analyzer, as a trade secret, is core to the Corporation's intellectual strategy as it allows the Corporation to: (i) allow for the evaluation and planning of how Powerwave and Primawave are used on customer sites, (ii) validate and predict the enhanced fluid flow outcomes, (iii) optimize the effects and characteristics of pulses used, and (iv) allow for the design of systems that are capable of operating within a range of parameters for specific geological conditions.

Even in the absence of patents, the Pulsing Analyzer allows differentiation and a barrier to direct competition for Wavefront's Technology, and may, in the future, be marketed as a stand-alone product.

3.1.3 Markets

The Corporation's technology is applicable to any industry where enhanced fluid flow is a benefit. The Corporation however, has focused the application of its technology in two industries: the oil and gas, and environmental industries.

(i) *Oil and Gas Industry*

The oil and gas industry is a mature market characterized by supply-side concerns and increasing commodity price points in an environment that is closely tied to intense geopolitical situations. On the demand side, between the period 2007 – 2030 the world's energy use is estimated to grow by 42% with developing countries accounting for the major portion of the increase due to rising population and economic growth. Fossil fuels are estimated to comprise 80% of the mix of energy over that time. By 2030 the world's oil consumption is estimated to be on the order of 106 million barrels/day (mb/d)¹. World oil demand outlook to 2030 in 5-year time horizons follows:

1. 2010 – 85.6 mb/d
2. 2015 – 90.2 mb/d
3. 2020 – 95.4 mb/d
4. 2025 – 100.4 mb/d
5. 2030 – 105.6 mb/d

To meet that demand, ever-increasing volumes of oil will have to be produced to keep up with the required demand as the oil and gas industry faces inevitable depletion.

Exploration however, has become increasingly expensive, with the rate of new discoveries on a constant decline for the past 42 years. Both North America and Europe have been explored heavily and any new discoveries are likely to be small. The ability to recover oil or natural gas is dependent upon the properties of the reservoir rock, technology, economics and in some cases, along with the rise of national oil companies, political will.

Oil and gas reserves that have been discovered can be categorized as proved (P1), probable (P2) or possible (P3). Unproven reserves, P2 and P3, are considered to be potentially recoverable in the future, when either technology or the economics make recovery a viable option.

Crude oil development and production in oil reservoirs can include up to three distinct phases: primary, secondary, and tertiary (or enhanced) recovery. Normal, initial production – when a producer simply drills a well and attempts to pull oil out of it – typically results in 10-30 percent recovery. Secondary recovery, which generally involves the injection of water, can increase recovery by 10-20 percent. Tertiary recovery, which can be injecting CO₂ or injecting fluids such as surfactants and polymers, can increase recovery by an additional 15 to 25 percent. So, while productivity improvement is important, ultimately, recovery is what allows oil producers to extract the greatest value possible out of a particular reservoir. In the North American market, this implies that on average the recovery rate is between 35 to 75 percent with between 65 to 25 percent of the oil still stranded in the ground.

The United States Environmental Protection Agency has determined that there are approximately 167,000 oil and gas injection wells in the US, most of which are used for the secondary recovery of oil. In this process, water is pumped into the formation that contains some residual hydrocarbons. A portion of the hydrocarbon is recovered, along with the injected water, by extraction or production wells. In a common configuration, one injection well is surrounded by 4 or more extraction wells. The other type of oil and gas injection well is a disposal well. In this type of well, excess fluids from production and some other activities directly related to the production process are injected solely for the purpose of disposal.

¹ OPEC 2009 World Oil Outlook, <http://www.opec.org/library/World%20Oil%20Outlook/pdf/WOO%202009.pdf>

Management believes, to fully commercialize Powerwave in the oil industry, some of the key challenges include the following: risk aversion / cost controls at the production stage of an oil field's life, producers not focusing on developing existing assets, the confidential nature of oil production operations such that information between competitive producers cannot be shared, and limitations on the availability of field data that third party producers can verify.

The Corporation's Powerwave technology is well positioned to take advantage of recovering resources previously classified as probable, extending production life of an oil field, and thereby positively impacting both field economics and total production revenue.

(ii) *Environmental Industry*

The environmental remediation industry is generally understood to be the "cleaning-up" of contaminants in either a solid matrix (soil) or in groundwater. A "contaminated site" can be defined as a specific area or volume of space which has been contaminated from some sort of activity. Contamination of a site from specific activities may include:

1. Leakage of storage or disposal sites (i.e. oil terminal sites);
2. Accidental spills;
3. Accumulation of contaminants from point or non-point sources;
4. Accidental release of contaminants from industrial or commercial activities;
5. Legal or illegal disposal of liquid or solid substances;
6. Gasoline and service stations; and,
7. Abandonment of buildings or properties.

Examples of contaminated sites include, but are not limited to, unregulated former disposal sites, industrial properties (refineries, chemical plants, automotive facilities), electrical facilities (PCB spills), above and below ground fuel storage sites, municipal and industrial landfills, wood preserving sites, and military training areas. Contaminants are generally organized into five categories:

1. Oxygen-depleting organics and nutrients;
2. "Toxic" organics;
3. Metals;
4. Radioactives; and,
5. Nuisance substances

The contaminants migrate, under the influence of gravity and or groundwater flows, resulting in accumulation of contaminants on or in the low permeability zones. As such these contaminants are generally difficult to remove by conventional technology.

There are two basic approaches for the remediation of contaminated sites: *in-situ* and *ex-situ* treatment. In-situ treatment involves some mechanism form of remedial fluid combined with a method of delivering the treatment liquid to the contaminant in the ground. Ex-situ involves the removal of the contaminant (usually from an unsaturated soil) for treatment at some remote site, and tends to be longer term in nature. A conventional ex-situ containment remediation method has been the 'pump and treat' method. This involves pumping groundwater to a surface treatment plant, treating the extracted groundwater to remove dissolved contamination and re-injecting / disposing of the treated water. The pump and treat method is ineffective at treatment of persistent organic pollutants, many of which are insoluble or have a very low solubility in water. Additional disadvantages are high costs (capital and operational costs for plant, pumps, and wells) and duration of required treatment to achieve desired

contaminant removal objectives (many years to decades of treatment required). As a result, although ‘pump and treat’ is used as a containment methodology it is not the treatment methodology of choice in the environmental industry (i.e. pump and treat is primarily used to contain the contaminant).

In-situ methods are generally cheaper than ex-situ methods because of the excavation and handling costs. Contaminant treatment, such as in-situ enhanced bioremediation and chemical oxidation, is preferred, because of the lower cost and duration operations².

The United States Environmental Protection Agency (“USEPA”) Expert Panel on Dense Non-Aqueous Phase Liquid (“DNAPL”) Remediation noted that in-situ injection of remedial fluids into the ground represents the most widely used method for DNAPL remediation³. This panel also estimated that in the United States annual DNAPL treatment costs are on the order of US\$ 4.5 Billion per year. The USEPA, in 1999, estimated that approximately 55 percent of all remediation work conducted had used in-situ treatment technologies⁴. The USEPA further estimated that the US federal government would spend US\$ 239 billion on environmental remediation costs over the next 75 years.

Management believes to fully commercialize the Primawave in the environmental groundwater remediation industry some of the key challenges include the following: having the ability to disseminate a large body of field data that demonstrates the effectiveness of Primawave for reducing remediation time and cost to allow responsible parties to verify and control of remediation projects where oversight lays with environmental consultants.

The Corporation’s Primawave technology is well positioned to enhance in-situ or ex-situ, pump and treat operations, accelerating the remediation of contaminated sites.

3.1.4 New Products or Services

Aside from normal optimization of current producing offerings no new product development is immediately envisioned by the Corporation. However, the Pulsing Analyzer is a simulator capable of handling dynamic scenarios (i.e., non-steady state flow conditions), and produces a base state solution, which predicts a different injection/production outcome compared to that of conventional reservoir simulators, which may, at some future date be marketed as a competitive reservoir simulator.

3.1.5 Business Strategy

The Corporation is positioned as a technology company. As a technology company, the Corporation focuses on leveraging the value associated with its intellectual property platform. For Powerwave and Primawave the Corporation does not sell or otherwise transfer to third parties or end users the tools or systems used to create the desired waveforms but instead licenses the Technology, under the above mentioned process patents. Bundled with the license, the Corporation provides the end user with the right to use the required tools or systems. This strategy allows the Corporation to leverage the Technology as a value added proposition in either the oil or environmental sectors versus the “cost plus” mentality associated with tool sales.

Given the confidential nature of the industries in which the Corporation operates, and to accelerate the commercialization of the Powerwave, the Corporation has in the past partnered with oil field operators to showcase the Powerwave process. Showcasing Powerwave in oil fields where the

² United States Environmental Protection Agency’s “REACH IT” <http://www.epareachit.org/>

³ USA Environmental Protection Agency, <http://www.epa.gov/ada/download/reports/600R03143/600R03143.pdf>

⁴ <http://www.epa.gov/ORD/SITE/congress/540R03502/540R03502chap2.pdf>

Corporation is a partner allowed Wavefront to obtain and freely disseminate a wide range of field data related Powerwave's implementation. Data obtained from showcasing Powerwave could then be independently verified by potential users of the technology, and allow the pushing of the Technology to the market place until such time that market demand takes over. The showcasing of Powerwave has: supported the efficacy of the Technology; provided the data points necessary for full commercialization; demonstrated the ability and longevity of the developed systems to carryout the Technology and, provided a data feedback loop to enable the best use of the Technology.

To achieve the strategic positioning of the Corporation, Wavefront will:

1. Focus on the recurring revenue associated with the provision of Powerwave to longer-term secondary or tertiary oil recovery projects, i.e., water, CO₂ or polymer floods. The Corporation will target oil and gas producers that produce a minimum of 1,000 barrel per day.

As additional incentive, and to increase the data based to support of Powerwave's efficacy, the Corporation will, depending on the immediate total potential number of systems a client may demand and the terms of use, allow certain oil producers to use Powerwave at discounted fees or on a trial basis.

2. Continue the development of Primawave's business through licensed agents and certified service providers.
3. Couple Powerwave with continuous sand extraction services used by the Corporation's customer base as a differentiating point and to obtain additional well stimulation data.
4. Leverage the Technology through strategic alliances in both the energy and environmental industries. This may entail aligning the Technology with third party chemical companies and or service providers.
5. Where applicable and complimentary to the Corporation's overall intellectual property objectives obtain additional technologies through the purchase or licensing of established or emerging processes and/or acquire companies offering such services.

The Corporation has effectively used, and will continue to use, the following strategies in oil fields: (i) allow oil producers un-encumbered access to pre and post Powerwave injection, production and other key data, and (ii) allow engineers of clients to audit and analyze data. As the strategic importance of the direct or indirect ownership oil fields has declined the Corporation is assessing how to exit those showcase oil fields to focus more on commercialization with third party clients.

(i) Primary Market

Due to the value proposition and the potential for recurring revenue streams, the Corporation's current principal target market is secondary and tertiary oil recovery, and more specifically, the use of Powerwave in flooding applications where flooding projects tend to be longer-term, and can be five to over twenty years, in duration.

(ii) *Secondary Markets*

The current secondary markets for the Corporation's Technology are oil well stimulation and groundwater remediation markets.

As discussed above an oil well stimulation is an activity involving maintenance, modification, repair or completion of a production oil or gas well. In some older wells, this also may involve changing reservoir conditions or the deteriorating condition of the original completion may necessitate pulling it out to replace it with a fresh new completion. Well stimulation procedures normally are performed using coiled tubing, hydraulic workover, or "slickline" units. Coiled tubing is the preferred method of well stimulation when it is desired to pump chemicals directly to the bottom of the well and more specifically, in horizontal wells.

Coiled tubing is a continuous length of ductile steel or composite tubing stored and transported in a coil on a large reel. Tubing sizes range from 1 inch to 4 ½ inches. The bigger the diameter, the deeper it can be used, but the more it weighs. The reel diameter must be at least 48 times the tubing diameter.

Coiled tubing services can be broken into two product / service categories: production services and drilling services. The Corporation however, is focused on production or well stimulation (i.e., coiled tubing deployed services) where Powerwave is more applicable. The advantage of coiled tubing is that a continuous tube can be tripped (run-in) into and out while the well is under pressure, thereby minimizing the down time and lost production for the oil producer. Coiled tubing can be used in most well stimulation applications performed by jointed pipe workover rigs, including:

Well Cleaning and other Pumping

Operations:

- Removal of sand, wax and other plugs
- High pressure jet washing
- Pulsating jet washing
- Scale removal
- Unloading water with Nitrogen pumping
- Single and multi-zone acid treatment and fracturing
- Cutting tubulars with fluid
- Cementing and plugging

Completion and other Mechanical

Operations

- Straddles for zone isolations
- Retrievable bridge plug
- Retrievable packers
- Through tubing applications
- Fishing
- Perforating
- Logging
- Milling and mechanical cutting of tubulars
- Shifting sliding sleeves
- Flow management – velocity string

Well stimulations may occur on producing oil wells from once to multiply times per year, depending on production levels. The following table sets out the number of producing oil wells, as at December 2004, in which well stimulation operations could be applied⁵:

Asia-Pacific	89,124	11.2%
Western Europe	5,986	0.7%
Eastern Europe	55,627	7.0%

⁵ Oil & Gas Journal Energy Database

Middle East	11,109	1.4%
Africa	9,137	1.1%
Western Hemisphere	627,762	78.6%
Total	798,745	100.0%
Canada	50,955	6.4%
United States	511,440	64.0%
Total OPEC	36,741	4.6%

Powerwave for well stimulation applications were originally delivered by a jointed pipe workover rig. The joint development of a coiled tubing tool with Halliburton (during such time that Halliburton held a license from Wavefront) allowed for entrance in the coiled tubing stimulation market. This tool has been augmented by further development for coiled tubing applications. Coiled tubing Powerwave applications can be completed as a lower cost alternative with minimal production down time, which management believes will positively affect commercialization adaptation rates.

In well stimulations, Powerwave has demonstrated the ability to overcome permeability heterogeneity and place the injection agent more uniformly with deeper penetration into the reservoir.

The additional secondary market for the Corporation's Technology is in the environmental, groundwater remediation market. As there is no direct increase in business profits or values, the responsible parties or property owners of a contaminated site consider environmental remediation to be a high cost, negative net present value project. Therefore, any expenditure is considered as having no return, and the least expensive method or lowest cash outflow is often most favoured alternative.

Primawave is an adjunct technology to existing in-situ and ex-situ process. Primawave is a process that will enhance the injection of fluids into virtually any porous media and is not limited to the viscosity of the injection agent.

3.1.6 Competitive Conditions

(i) *Oil Industry*

In the defined primary market involving Powerwave in secondary or tertiary oil recovery projects, no direct competition exists due to the proprietary nature of the technology. Powerwave is a patented fluid injection method producing a much different waveform: a porosity dilation wave, which can propagate further into the reservoir. Currently, most of the current thrusts in other oil recovery schemes (i.e., Applied Seismic Research Corporation, Seismic Recovery LLC) reside in acoustic or seismic techniques that create shock waves in a reservoir. These waveforms are more suited for the near well bore environment as opposed to field wide stimulation process. Principal competition in secondary or tertiary oil recovery projects is believed to reside in the status quo practice of statically injecting fluid into the reservoir using conventional pumping systems. Due to the inefficient nature of, lack of conformance and sweep efficiency of static injections, the Corporation believes Powerwave has significant advantages over the status quo. Field results have verified this assumption.

For workovers or single well stimulations, Powerwave must compete with established techniques such as seismics, acoustics, well re-perforation, PST stimulations (explosive jet fuel), and superflushes (high velocity oil introduction into the wellbore). In addition to preferred local coiled service providers, large, multinational companies such as Schlumberger Limited, Baker Hughes Incorporated, and

Halliburton Company dominate competitive landscape in these markets. To effectively compete in these markets the Corporation believes it must first push the Technology by offering incentives to end users to gain case histories and market acceptance. Following this initial push the Corporation's strategy is to license Powerwave to a diverse portfolio of service providers who compete in the stimulation market.

Due to the patents on the Powerwave process and systems there is currently no direct competition however, competition exists indirectly in the form of existing practices. Powerwave instead is viewed as an enabling technology that allows water, CO₂ or polymer floods, and chemical injections to be more effective.

(ii) *Environmental Industry*

In the secondary market involving Primawave, currently no direct competition exists due to the proprietary and adjunct nature of the Corporation's technology. Principal competition for in-situ and ex-situ projects are believed to reside in the status quo practice of statically injecting an amendment agent or water using conventional pumping systems.

Consultants tend to be the caretakers for those responsible for the environmental liability or act, in many instances, as the manager of the problem for property owners. The environmental consultant thus can be viewed as either a barrier to entry to the market or indirect competition. The environmental consulting market tends to be highly fragmented with focuses on the east and west coast of North America. Responsible parties tend to favour the least expensive approach. Consultants tend to favour remediation methodologies that do not affect project scope, and thus may form indirect competition to Primawave.

Due to the inefficient nature of, lack of contact with the contaminant and sweep efficiency of static injections, the Corporation believes it has significant advantages, as the greater the contact and sweep efficiency the better the remediation method will work.

3.1.7 Intangible Properties

The Corporation's intangible properties primarily consist of its royalty rights ("**Royalty Rights**") with Greentree Gas and Oil Ltd. ("**Greentree**"). The Royalty Rights consist of two agreements that allow the Corporation to participate in the net revenue streams from oil production and to obtain the required field data for Powerwave's commercialization.

The Corporation's first Royalty Right involves a "**Farm-in**" Agreement entered into with Greentree to develop the Rodney South oil field lease. Under the Farm-in Agreement the Corporation supplied its Powerwave technology and agreed to fund up to \$2.25 million for initial capital expenditures and working capital requirements. Additional development costs are expected to be financed from cash from operations. Greentree acts as the Operator of the lease and will contribute the petroleum leases, existing seismic and geological data, and the use of its existing field facilities. Greentree provides its field maintenance staff, administrative, and office support staff. In consideration for each party's contributions, net cash flows from operating activities will be allocated 70 percent and 30 percent to the Corporation and Greentree, respectively, until payout of the Corporation's initial \$2.25 million capital investment. The resulting asset is classified as finite life intangible asset and is amortized using units of production, based on the classification of the underlying asset.

As at February 28, 2010, the Corporation had paid Greentree \$2,168,834 under the Farm-in Agreement. The Corporation may be obligated to fund, should the parties agree to further development of the Rodney South oilfield lease, the remaining balance of up to \$81,166 under the Farm-in Agreement.

The Corporation also entered into a “**Net Over-riding Royalty**” Agreement with Greentree on a single gas well. The Net Over-riding Royalty resulted from the Corporation agreeing to use its Powerwave technology to rejuvenate a dormant gas well. Prior to applying Powerwave, the gas well was producing liquids. Despite the Corporation never having applied Powerwave to a gas well ever before, the Technology was successful in rejuvenating Greentree’s gas well and demonstrated that it can be used in applications involving gas wells. The resulting asset was classified as a finite life intangible. In the reporting quarter ended May 31, 2008, the Corporation estimated economic life of the gas well and performed a discounted cash flow analysis to test the carrying value of the resulting definite life intangible asset. Based on the analysis performed the Corporation decided, for accounting purposes, to write off the resulting asset with a carrying value of \$50,661.

3.1.8 Business Trends or Cycles

Within the oil and gas industry the certain technologies offered by the Corporation are seasonal and related to the underlying service provided and geographical extent to which they were offered for sale.

Within the heavy oil well intervention market where there are high percentages of sand being produced, the Corporation has targeted the geographical areas of Alberta and Saskatchewan. Due to temperature influences on ground conditions in these geographical areas, the months of December, March and April have lower activities for well intervention activities.

The Corporation however, is focusing its resources on the commercialization of Powerwave and Primawave where seasonality is expected to have minimal impact. In North America, most oil fields are in secondary recovery, i.e., water, polymer, CO₂ floods, etc., where Powerwave can be implemented in all seasons.

With current oil and natural gas prices, it is believed that producers will focus on increasing both production and the amount of reserves that can be extracted. As Powerwave is an adjunct technology to secondary and tertiary recovery methods, after a sale, the implementation of the Powerwave is dependant on the oil or gas field’s operators schedule and implementation of other activities for either producers or injectors. As such there are time lags between the announcement of a contract, the installation of systems and revenue generation.

Primawave is also an adjunct technology to in-situ and ex-situ remediation methods, but given that legislation is stronger in the United States and contaminated sites tend to predominate industrialized areas on the eastern and western seaboard, seasonality is expected to have a minimal impact. Again, implementation of Primawave projects are beyond the Corporation’s control as projects may involve special permitting / authorizations and the implementation of broader remediation initiatives.

The Corporation’s management believes that this seasonality of operations will have minimal effects moving forward, but that time lags will predominate between securing commercial applications of the technology and actual project implementation.

3.1.9 Employees

As at February 28, 2010 the Corporation had approximately twenty-seven (27) staff members. The total staff numbers comprise ten professionals, seven technicians, four sales, four administrative and support personnel, and two casual / part-time support personnel.

As a technology company, the Corporation's staffing requirements include talented and skilled professionals in the areas of engineering, geosciences, theoretical physicists, project management. Since the supply of qualified candidates for these positions are sometimes limited, the Corporation uses various recruitment strategies to address staffing needs. Examples of recruitment strategies include web site job postings, student programs, and the use of professional recruitment consultants.

3.1.10 Foreign Operations

The majority of the Corporation's revenue is still earned in Canada, and as such, the dependence of foreign operations is minimal. Given the global implications of Powerwave and Primawave, the focus is on expanding commercialization in foreign jurisdictions.

Specifically, and pertaining to the energy sector, the operations include maintaining a sales and distribution office / warehouse in Houston; acting as the operator of an oil field in Rogers County, Oklahoma; ownership of oil fields in Young County, Texas; and has participation in over-riding royalty interests in Taylor County, Texas. In the environmental sector the operations include a sales office in Raleigh, North Carolina and has business development activities in Australia and Denmark.

3.2 Social or Environmental Policies

The Corporation has adopted environmental, health and safety policies that states that it will carry out the following:

- Strive to identify and manage the environmental, health and safety risks and hazards to which our employees are exposed;
- Help our employees develop an awareness and understanding of the environment, health and safety issues relevant to their work; and
- Strive to comply with legislation, regulations, and appropriate industry standard

The Corporation's internal policies set out the process for ensuring that all employees are aware of, and regularly review, environmental, health and safety matters. The internal policies sets out a detailed process for ensuring that all employees are familiar with the policy and that appropriate individuals regularly review environmental, health, and safety matters.

3.3 Risk Factors

Please refer to the Corporation's 2009 management discussion and analysis pages 12 to 15, filed on SEDAR and incorporated by reference herein.

ITEM 4: DIVIDENDS

4.1 Dividends

To date, the Corporation has not issued any dividends and there are no plans in the short term to issue any dividends.

ITEM 5: CAPITAL STRUCTURE

5.1 General Description of Capital Structure

The Corporation's share capital currently consists on an unlimited number of common shares, of which, as at February 28, 2010, 72,114,574 common shares have been issued and are outstanding. As at February 28, 2010, no common share purchase warrants and 3,009,204 incentive stock options were outstanding.

The holders of common shares are entitled to receive, as and when declared by the Corporation's Board of Directors, dividends in such amount and in such form as the Corporation's Board of Directors may from time to time determine. The holders of common shares are entitled to receive notice of and to attend all meetings of our shareholders and are entitled to one vote for each common share held at such meetings.

The Corporation has a Shareholder Rights Plan pursuant to a Shareholder Rights Plan Agreement dated January 13, 2010 between the Corporation and Computershare Investor Services Inc. as rights agent that is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Corporation. Rights issued under the plan become exercisable when a person, including any related parties, acquires or announces the intention to acquire 20% or more of the Corporation's outstanding common shares without complying with certain provisions set out in the plan, or without approval of the Corporation's Board of Directors. Should such an acquisition occur, each rights holder, other than the acquiring person and its related parties, will have the right to purchase Common Shares of the Corporation at a 50% discount to the market price at that time. The plan was confirmed at the 2010 annual meetings of shareholders and must be reconfirmed at the annual shareholders meeting in 2014 and at every third annual meeting thereafter.

ITEM 6: MARKET FOR SECURITIES

6.1 Trading Price and Volume

The Corporation's common shares are listed for trading on the TSV Venture Exchange ("TSX-V") under the symbol WEE. The inter-day trading information of the TSX-V for the period of September 1, 2008 to the August 31, 2009, is set out in the following table:

Month	High (Cdn\$)	Low (Cdn\$)	Volume
August	0.69	0.56	2,572,000
July	0.71	0.52	6,740,900
June	0.85	0.62	14,072,100

May	0.85	0.58	4,705,400
April	1.00	0.56	3,202,400
March	0.69	0.45	1,126,500
February	0.58	0.45	472,100
January	0.72	0.53	1,265,900
December	0.63	0.43	1,877,900
November	0.78	0.40	1,142,500
October	1.35	0.69	1,126,400
September	1.62	1.10	710,600
Total Volume			39,014,700

ITEM 7: ESCROWED SECURITIES

7.1 Escrowed Securities

In connection with the Top Gun acquisition that closed on March 1, 2007, 600,000 common shares were subject to a TSX-V, three year, value escrow agreement, and were issued as part of the consideration. As at November 30, 2009, the details of the escrow shares are follows:

Designation of class	Common shares
Number of securities held in escrow	90,000
Percentage of class	0.1%

The escrow agent is Computershare Investor Services Inc.

ITEM 8: DIRECTORS AND OFFICERS

8.1 Name, Address, Principal Occupations of the Issuer's Directors

The following table lists the Corporation's directors, current to the date of the annual information form, their municipality of residence, principal occupations for the preceeding five years:

Name and Municipality of Residence⁽¹⁾	Principal Occupation⁽¹⁾	Director Since
Brett C. DAVIDSON⁽⁴⁾ , Cambridge, Ontario, Canada	Corporate Director, President and Chief Executive Officer	February 2002
Roger KAZANOWSKI⁽²⁾⁽³⁾ , Commerce, Michigan, U.S.A.	President of Cambridge Products (a products design and manufacturing company), and President of Boulder Leasing (a real estate management company)	February 20, 2003
Dennis MINANO⁽²⁾⁽³⁾ , Tucson, Arizona, U.S.A.	Vice President Environmental and Energy – Chairman and director of Integriguard LLC (a medical payment assurance company)	December 15, 2003

Name and Municipality of Residence⁽¹⁾	Principal Occupation⁽¹⁾	Director Since
D. Bradley PATERSON⁽⁴⁾ , Edmonton, Alberta, Canada	Corporate Director, Chief Financial Officer, and Treasurer/Secretary	September 30, 2003
Steve PERCY^{(2) (3)} , Akron, Ohio, U.S.A.	Non-executive chairman of Losonoco Inc. (an ethanol and bio-diesel manufacturing company), visiting Professor at the University of Michigan, and Director of Omnova Solutions (an innovator and manufacturer of emulsion polymers and specialty chemicals)	November 10, 2003

Notes:

- (1) The information as to municipality of residence and principal occupation, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.
- (2) Denotes member of Nominating and Corporate Governance Committee.
- (3) Denotes member of Compensation Committee.
- (4) Denotes member of Disclosure Committee.
- (5) Mr. Kazanowski, Mr. Minano and Mr. Percy have been determined by the board to be “independent” as such terms are defined under in National Instrument 52-110.

All directors are elected annually at the Corporation’s Annual General Meeting. The Issuer’s last Annual General Meeting was held on February 16, 2010.

All directors have been engaged for more than five years in their current principal occupations.

As the date hereof, 8,534,147 common shares of the Issuer are beneficially owned, directly or indirectly, by the directors, as a group, representing 11.83 percent of the issued and outstanding voting securities (72,114,574 common shares).

8.2 Name, Address, Principal Occupations of the Issuer’s Executive Officers

The following table lists the Corporation’s executive officers, current to the date of the annual information form, their municipality of residence, principal occupations for the preceeding five years:

Name and Municipality of Residence	Principal Occupation	Officer Position Held
Brett C. DAVIDSON , Cambridge, Ontario, Canada	President and Chief Executive Officer	President and Chief Executive Officer
D. Bradley PATERSON , Edmonton, Alberta, Canada	Chief Financial Officer, and Treasurer/Secretary	Chief Financial Officer, and Treasurer/Secretary

8.3 Audit Committee Information

8.3.1 Audit Committee Charter

The responsibilities and duties of the Corporation's Audit Committee are set out in the Audit Committee Charter, the text of which is attached as Schedule to this annual information form.

8.3.2 Composition of the Audit Committee

The Audit Committee is comprised of the following three members: Roger Kazanowski, Dennis Minano (Chairman) and Steve Percy.

The board of directors believes that the composition of the Audit Committee reflects an appropriate level of financial literacy and expertise. Each member of the Audit Committee has been determined by the board to be "independent" and "financially literate" as such terms are defined under in National Instrument 52-110 – *Audit Committees*.

Mr. Roger Kazanowski holds a Bachelors of Fine Arts from Wayne State, and a Graduate studies in Automotive Design from the Arts Center in Pasadena. Mr. Kazanowski is the principal of Cambridge Products responsible for all financial systems, reporting and controls. Mr. Kazanowski was also the Chief Operating and Financial Officer of Business Television Video Systems (with annual sales of approximately US \$40 million) responsible for management accounting, controls and logistics. He was an Audit Committee member of Triant Technologies, a TSX Venture listed company, and of Integrated Business Systems. Mr. Kazanowski is also a venture capital advisor of a number of private equity companies.

Mr. Dennis Minano holds a Bachelors of Arts from the University of Dayton, Ohio and a J.D. degree from the University of Detroit Law School. Mr. Minano currently serves as Treasurer and Chairman of the Audit and Finance Committee of the Sonoran Institute, a not-for-profit entity for southern Arizona, and is on the Finance and Audit Committee of TREO, a lead for economic development organization southern Arizona. Until its recent sale he served as the Chairmen of the Board of IntegriGuard (with annual sales of ranging between US \$14 and \$21 million), a healthcare program integrity company specializing in identifying fraud and improper payments of healthcare claims. While Vice President Environmental and Energy at General Motors, his primary responsibilities included an interface with the GM outside auditors involving financial exposure on environmental and enegery risk and financial reporting in a number of risk areas.

Mr. Steve Percy holds a Bachelor of Science, Mechanical Engineering, from the Rensselaer Polytechnic Institute, a Master in Business Administration from University of Michigan, and a Law Doctorate from Cleveland University. Mr. Percy is the Chairman of the audit committee for Omnova Solutions, a New York Stock Exchange listed company annual sales of approximately \$700 million. Mr. Percy also was a Senior Vice President of Phillips Petroleum where his direct reports included the controller for the Refining, Marketing and Transportation Business Unit (with annual sales of approximately \$3 billion). While the Chief Executive Officer BP America (with annual sales of approximately US \$15 billion) and President of BP Oil (with annual sales of approximately US \$8 billion) was responsible for financial reporting, controls and business unit performance. While the CEO of BP Finance International and BP Group Treasurer he was responsible for reporting, control and business unit performance And while the Manager of Planning and Control for BP Oil International, BP's global downstream company (with annual sales of approximately US \$25 billion) he was directly responsible for its accounting and control functions.

ITEM 9: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

9.1 Interest of Management and Others in Material Transactions

During the fiscal year ending August 31, 2006, the Corporation became the Operator of Record of the Rogers County venture. As the Operator, the Corporation is initially responsible for all operating expenses and development costs of the Rogers County venture, which are then charged back to the non-operating partner, Boulder Oil, LLC, relative to its working interest percentage. Boulder however, as a non-operating partner, exercised its non-participation rights under the Joint Operating Agreement. Under the Joint Operating Agreement, the Corporation will receive all production revenues from production wells until such time that the Corporation is repaid 200% of the costs incurred, after which, production revenues will revert back to the working interest proportions. As at February 28, 2010, amounts recorded under non-participation amounts owed totalled \$730,920 (August 31, 2009 – \$735,014). Under the Joint Operating Agreement, the Corporation will receive all production revenues from production wells associated with the costs incurred until such time that the Corporation is repaid 200% of the costs incurred, after which, production revenues will revert back to the working interest proportions.

ITEM 10: TRANSFER AGENT AND REGISTRAR

10.1 Transfer Agents and Registrar

The Corporation's transfer agent and registrar is Computershare Investor Services Inc., Suit 200, 530 – 8 Avenue SW, Calgary, Alberta, Canada, T2P 3S8. The common share register of the transfers is maintained at such location.

The Corporation did not enter into any material contracts outside the ordinary course of business since September 1, 2008. The Corporation however, maintains the following non-arms length contract and fully paid-up license agreement, which are currently in effect:

- (a) A Shareholder Rights Plan Agreement dated January 13, 2010 between the Corporation and Computershare Investor Services Inc. as rights agent. The Shareholder Rights Plan is described above under "Capital Structure - General Description of Capital Structure".
- (b) A Joint Operating Agreement, dated December 1, 2005; an Addendum to Joint Operating Agreement, dated February 1, 2006; and an Amending and Clarifying Agreement, dated October 16, 2006, between Wavefront USA, Phoenix Oil, LLC and Boulder Oil Corporation. Particulars of the Joint Operating Agreement, The Addendum and Clarifying Agreements as disclosed under section 11.1 Interest of Management and Others in Material Transaction.

ITEM 11: INTEREST OF EXPERTS

PricewaterhouseCoopers LLP are the auditors that prepared the auditors' report on the Corporation's consolidated financial statements for the year ended August 31, 2009. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation

within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

11.1 External Audit Service Fees

The following table provides information about the fees billed to the Corporation for professional services rendered by the Corporation's external auditors, during fiscal 2008 and 2009:

Financial Year End	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
August 31, 2008	\$ 90,000	\$ 30,000	nil	nil
August 31, 2009	\$ 93,000	\$ 30,000	nil	\$ 8,445

Notes:

- (1) The aggregate fees billed by the Corporation's external auditor.
- (2) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under "Audit Fees".
- (3) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the Corporation's external auditor for tax compliance, tax advice and tax planning.
- (4) The aggregate fees billed in each of the last two fiscal years for products and services provided by the Corporation's external auditor, other than the services reported under clauses 1, 2 and 3 above.

ITEM 12: ADDITIONAL INFORMATION

12.1 Additional Information

Upon request being made by any person to the Secretary of the Corporations, it shall provide to that person the following:

- (a) when the securities of the Issuer are in the course of a distribution pursuant to a short form prospectus of a preliminary short form prospectus has been filed in respect of a distribution of its securities,
 - (i) one copy of the AIF of the Issuer, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF,
 - (ii) one copy of the comparative financial statement of the Issuer for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Issuer subsequent to the financial statements for its most recently completed financial year,
 - (iii) one copy of the information circular of the Issuer in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate, and
 - (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

- (b) at any other time, one copy of any other documents referred to in item (1)(a)(i), (ii) and (iii) above, provided the issuer may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Issuer.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Issuer's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Issuer's Information Circular pertaining to its most recent Annual General Meeting. Additional financial information is provided in the Financial Statements and MD&A for our most recently completed financial year. As well, additional information relating to Wavefront may be found on SEDAR at www.sedar.com. Copies of the Management Proxy Circular, Financial Statements and the Annual Report may be obtained upon request from the Secretary.

SCHEDULE A
AUDIT COMMITTEE CHARTER
of
WAVEFRONT TECHNOLOGY SOLUTIONS INC.

Audit Committee Mandate

The Audit Committee (the “**Committee**”) will assist the Board of Directors (the “**Board**”) of Wavefront Technology Solutions Inc. (the “**Company**”) in fulfilling its oversight responsibilities. The Committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct as more fully described below. In performing its duties, the Committee will maintain effective working relationships with the Board of directors, management, and the external auditors and monitor the independence of those auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the responsibilities of Committee membership as well as the company's business, operations and risks.

Committee Organization

The Committee will be comprised of three (3) or more directors as determined by the Board, a majority of whom shall satisfy the “independence” requirement of the applicable securities regulatory requirements.

Each member will be “financially literate” as defined in the applicable securities regulatory requirements or shall become financially literate within a reasonable period of time after his or her appointment to the Committee.

The designation or identification of a member as Committee financial expert shall not impose on such member any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed on any other member of the Committee or Board.

The Board will appoint annually, at the organizational meeting of the full board on the recommendation of the Nominating / Corporate Governance Committee, the members of the Committee. The Board will appoint one member of the Committee as the chair of the Committee.

A Committee member shall be automatically removed without further action of the Board if the member ceases to be a director of the Company or is found by the Board to no longer be an independent director as required by this Charter. Committee members may be otherwise removed or replaced by a vote of the Board upon recommendation of the Nominating / Corporate Governance Committee. No member serving on the Committee shall receive directly or indirectly, any compensation, advisory or other compensation fee from the Company or an affiliate of the Company other than director fees for service as a director.

Meetings

The Committee is to meet at least four (4) times annually and as many additional times as the Committee deems necessary. Committee members will endeavor to be present at all meetings either in person or by telephone. As necessary or desirable, but in any case at least quarterly, the Committee shall meet with members of management and, if required external auditors, to discuss the financial reporting and any matter that the Committee or management deems necessary.

The Chairman in consultation with other members of the Committee, the Company's independent auditors and the appropriate officers of the Company, will be responsible for calling meetings of the Committee, establishing the agenda and supervising the conduct of the meeting. The Committee may also take any action permitted hereunder by unanimous written consent.

The Committee may request any officer or employee of the Company or the Company's outside legal counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consult to, the Committee.

- a. A majority of the members of the Committee meeting, either present in person or by means of remote communication, or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the Committee, and
- b. All actions of the Committee shall be by affirmative vote of a majority of those members so determined to be present or represented by proxy.

Authority

Subject to the prior approval of the Board, the Committee is granted the authority to investigate and require such information and explanation from management, as it considers reasonably necessary, or any matter or activity involving financial accounting, financial reporting, financial risk, and the internal controls of the Company. In addition, the Committee will require management to promptly inform the Committee and the external auditor of any material misstatement or error in the financial statements following the discovery of such instance.

The Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and to set and pay the compensation for any advisors employed by the Committee.

In recognition of the fact that the independent auditors are ultimately accountable to the Committee, the Committee shall have the authority and responsibility to nominate for shareholder approval, evaluate, and where appropriate, replace the independent auditors and shall approve all audit engagement fees and terms and all non-audit engagements with the independent auditors. The Committee shall consult with management but shall not delegate these responsibilities.

Annual Performance Evaluation

The Committee will conduct and review with the Board annually an evaluation of the Committee's performance with respect to the requirements of the Charter. The evaluation should set forth the goals and objectives of the Committee for the upcoming year.

Specific Duties

In carrying out its oversight responsibilities, the Committee will:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review with the Company's management and external auditors and recommend to the Board the Company's quarterly and annual financial statements and management discussion and analysis that is to be provided to shareholders, stakeholders and the appropriate regulatory authorities, including any financial statement contained in a prospectus, information circular, registration statement or other similar document.
3. Review the Company's management annual and interim earnings press release before any public disclosure.
4. Recommend to the Board the external auditors to be nominated for the purposes of preparing or issuing an audit report or performing other audit's review or attest services and the compensation to be paid to the external auditors. The external auditors shall report directly to the Committee.
5. The Committee will annually review the qualifications, expertise and resources and the overall performance of external auditor and, if necessary, recommend to the Board the termination of the external auditor (and its affiliates), in accordance with the applicable securities laws.
6. Review with management the scope and general extent of the external auditors' annual audit. The Committee's review should include an explanation from the external auditors of the factors considered in determining the audit scope, including major risk factors. The external auditors should confirm to the Committee whether or not any limitations have been placed upon the scope or nature of their audit procedures.
7. Be directly responsible for the oversight of the work of the external auditors, including the resolution of disagreements between management of the Company and the external auditors.
8. Review with the Company's management and external auditors the Company's accounting and financial reporting controls. Obtain annually in writing from the external auditors their observations, if any, on significant weaknesses in internal controls as noted in the course of the auditor's work.

9. The Committee is to meet at least once annually, with the independent auditors, separately, without any management representatives present for the purpose of oversight of accounting and financial practices and procedures.
10. Review with the Company's management and external auditors significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the external auditors their judgment about the quality of the accounting principles used in financial reporting.
11. Inquire as to the independence of the external auditors and obtain from the external auditors, at least annually, a formal written statement delineating all relationships between the Company and the external auditors and the compensation paid to the external auditors.
12. At the completion of the annual audit, review with management and the external auditors the following:
 - a. The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders.
 - b. Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
 - c. Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the external auditors during the audit, including all requested records, data and information.
 - d. Inquire of the external auditors whether there have been any material disagreements with management, which, if not satisfactorily resolved, would cause them to issue a not standard report on the Company's financial statements.
13. Meet with management, to discuss any relevant significant recommendations that the external auditors may have, particularly those characterized as "material" or "serious". Typically, such recommendations will be presented by the external auditors in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from external auditors and receive follow-up reports on action taken concerning the aforementioned recommendations.
14. Have the sole authority to review in advance, and grant any appropriate pre-approvals, of all non-audit services to be provided by the independent auditors and, in connection therewith, to approve all fees and other terms of engagement. The Committee shall also review and approve disclosures required to be included in periodic reports filed with securities regulators with respect to non-audit services performed by external auditors.
15. Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, and periodically assess the adequacy of those procedures.

16. Review and approve the Company's hiring of partners, employees and former partners and employees of the present and past auditors.
17. Review with management and the external auditors the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by the Company employees that may have a material impact in the financial statements.
18. The Committee will conduct an appropriate review of all proposed related party transactions to identify potential conflict of interest and disclosure situations. The Committee shall submit the related party transaction to the Board of Directors for approval by a majority of independent directors, excluding any director who is the subject of a related transaction, and implementation of appropriate action to protect the Company from potential conflicts of interest.
19. The Committee will prepare a report for the inclusion on the Company's proxy statement for its annual meeting of stockholders describing the Committee's structure, its members and their experience and education. The report will address all issues then required by the rules of the regulatory authorities.

Complaint Procedures

The Committee shall establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (b) the confidentiality, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Committee must periodically review such procedures to ensure they are effective and ensure compliance by the Company with such procedures.

Other

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibility of management and the independent auditor. Nor is it the duty of the Committee to assure compliance with the laws and regulations.