*e*Research

StockPotentials: Update Report October 9, 2009

WAVEFRONT TECHNOLOGY SOLUTIONS INC.

($2.09; TSX-V: WEE)

Price (October 10, 2009)
$2.09

52-Week Range
$2.40 - $0.40

Intrinsic Value
$1.00 - $1.35

Shares O/S
71.58 million

Market Cap
$150.3 million

Average Daily Volume
50-day: 453,600
200-day: 273,000

Year-End
August 31

Salient Statistics

Book Value Per Share	$0.23
Price/Book Value	5.93x
Price/Revenue PS	98.86x
Cash (Est.) (mill)	$17M
Cash Per Share	$0.24

Analysts
Eric Eng, B.A. MBA
Bob Weir, B.Sc., B.Comm, CFA

Note: Report prepared with public information only.

***e*Research Corporation**
56 Temperance Street
Suite 501
Toronto, ON M5H 3V5
Telephone: 416-643-7650
Toll Free: 877-856-0765

Data Source: www.BigCharts.com

UPFRONT

This comprehensive *StockPotentials* Update Report on Wavefront Technology Solutions Inc. was not commissioned by the Company. Management neither read nor commented upon any aspect of this report, and all of the statements, comments, and opinions contained in this report are strictly those of *e*Research and are provided without the benefit of management input.

This Update Report is a follow-up to our two-page *StockPotentials* report on Wavefront originally published on April 1, 2009. That report and this current one were written without the advantage and insight of having interviewed Wavefront's management.

THE COMPANY

Wavefront develops and commercializes innovative and leading-edge technology and processes for the oil & gas and environmental sectors, and also engages in the rental and the sale of sand pumps, bore pumping, and cleaning equipment.

CONCLUSION

The conclusion that we have reached is that, although the current market sentiment towards Wavefront could easily propel the stock price further upwards, even after the sharp increase that it has already had in the last two weeks (see chart above), on a fundamental basis, and in comparison to its peers, the stock is over-priced. We have calculated the intrinsic value of Wavefront to be $1.00-$1.35 per share. The stock is currently trading at $2.09.

PROFILE

Wavefront Technology Solutions Inc. ("Wavefront" or the "Company") develops and commercializes innovative and leading-edge technologies and processes for the oil & gas and environmental sectors, and also engages in the rental and the sale of sand pumps, bore pumping, and cleaning equipment.

1. **Oil Sector**: The Company's patented product (Powerwave) can be used by oil & gas companies to enhance oil recovery (EOR) and oil well stimulation.

2. **Environmental Sector**: The Company's product (Primawave) can provide an efficient injection method to expedite and optimize groundwater remediation.

3. **Pump Business**: These services are provided primarily for heavy oil companies in western Canada. A key product is the Shark pump, which offers many advantages over a normal pumping system.

In addition, the Company also generates oil production revenue from oilfield properties in connection with its Rogers County and Rodney South County ventures in the United States.

CORPORATE FOCUS

The Company is focused on leveraging the value of its intellectual property through:
(1) the licensing of its technologies to oil-service companies;
(2) providing site licenses to oil producers;
(3) in turn, receiving royalty payments in-kind; and
(4) providing additional solutions for environmental applications.

The Company is also focused on developing an international network of accredited distributors to expand its services.

REVENUE COMPONENTS

The composition of Wavefront's revenue for the three sectors is shown in the following table:

Revenue Components	**FY2008**	**FY2007**
Oil & Gas	40%	45%
Environmental Remediation	20%	13%
Tubing, Pump, & Bailer	40%	42%
Total	100%	100%

Source: The Company and estimated by eResearch

INDUSTRY CHALLENGE

The problem facing the oil & gas and the environmental remediation industries is that natural flow processes (known as the path of least resistance) prevent the optimal recovery of oil and the ease of environmental remediation. These industries have spent substantial amounts of investment in research and development in hopes of finding a solution to these problems.

Methods that have been used to enhance the recovery of oil include water, chemicals, and CO_2. However, these methods, although providing some improvement, are still hindered by the path of least resistance and only enhance the recovery of oil up to about 35%.

WAVEFRONT'S FLAGSHIP PRODUCTS

Wavefront's patented, flagship products are Powerwave and Primawave (collectively called the "Technology"). The efficient processes of the Powerwave and Primawave products give the Company a competitive advantage in meeting the industry's challenge.

The Technology is used to improve the flow of fluids in geological materials by generating powerful fluid pulses to expand the pore structure of rock and soil. The Technology creates a uniform wave of fluids to powerfully force oil into extraction wells, improving liquids flow in the ground for enhanced oil recovery and for ease of environmental remediation. The process in oil services and groundwater remediation is identical, using the same pressure pulse approach to move fluids through the ground much like the heart moving blood through the human body.

POWERWAVE

- Powerwave provides a cost-effective method for increasing oil production with existing infrastructure, thereby reducing the need for further drilling and lowering the reliance on large volumes of water to produce reserves;
- Laboratory tests and statistics from production sites have shown that with the use of the Technology, the efficiency of standard water, chemical, and surfactant injection could improve significantly;
- Powerwave produces a pressure pulse force in the process of injecting fluids outside the path of least resistance and, as such, it provides a more uniform flood front to "push" oil toward production wells;
- By mobilizing by-passed oil, Powerwave can increase the oil recovery factor up to 88%. For example, in June 2009, the Company announced that an Alberta-based oil and gas producer used the Powerwave technology and increased its oil production by 34,000 barrels, or 86%; and
- Other advantages of Powerwave include: (1) more oil recovery with prolonged field lives; (2) faster production; (3) additional recovery in depleted and abandoned oil fields; and (4) fewer wells for the same or better oil production, thereby reducing drilling costs.

The following example shows how much benefit the investment in Powerwave could result for an oil and gas company (source: Wavefront):

Assumptions:

- An oil field with 3,000 injection sites at a 40% penetration, or 1,200 Powerwave systems;
- Powerwave licensing charge (per system) is $3,000 per month;
- Operating costs of $100 per month per system; and
- Oil prices are assumed at $45/barrel.

Potential Benefits:

- An incremental increase in revenue could be $3.6 million per month or $43.2 million per annum;
- Gross profit potential could be $3.2 million per month or $38.0 million per annum; and
- The payback period on tool capitalization is between 2 to 6 months.

PRIMAWAVE

- The Technology has a simple, low-maintenance design that can lower operating costs by more than 40%;
- The Technology promotes earlier exits and eliminates short-circuiting of remedial fluids, thereby reducing long-term financial obligations and improving cost efficiencies. This is evidenced by the recent successful implementation of the Technology on a two-acre former industrial site in New Jersey. In this project, the use of Primawave helped decrease the number of injection points at the site by 75% from a planned 483 injection points to 120, thus reducing the time on the site by more than one month;
- The Technology can increase contaminant recovery rates in the pump-and-treat remedial approach;
- The Technology can reach difficult locations under buildings with its horizontal drilling capability; and
- Remedial fluid penetration is more uniform than other methods that are used by the industry. The penetration allows for a large volume of contaminant to be treated with few injection points.

COMMENT: *The Company's technologies appear to be unique and should be attractive to oil & gas and environmental remediation companies. However, the future growth of the Company is dependent on market expectations of future prices, which are volatile and unpredictable. Currently, many oil and gas companies have delayed implementing the EOR equipment, pending greater buoyancy in the oil & gas industry.*

CORPORATE GROWTH OPPORTUNITIES

The Company has opportunities for revenue growth over the next five years should be moderate, reflecting the following:

(1) The Oil & Gas Sector

- There have been production declines in most oil fields in western Canada and internationally. The market for the Company's products is large. In late 2008 and the early part of 2009, the decline in oil prices adversely affected the Company's business. In the long run, oil prices should trend higher, and the benefit of cost savings by using the Company's product should expand its customer base. However, the direction of oil prices over the next 12 months remains uncertain as the global economic recovery will likely be a slow process.
- There are approximately 200,000 injectors in North America alone. This large market size provides the Company with opportunity. However, the competition is intense in this field and the Company's small size is one of our major concerns.
- The oil field water flooding technique provides enhanced oil recovery ("EOR") up to about 35%, whereas the Company's technology could provide EOR up to about 88%, yielding a significant competitive advantage for Wavefront.
- The U.S. Department of Energy (DOE) estimates over 1,120 billion barrels of undeveloped domestic resources remain in the ground, of which an estimated 430 billion barrels of oil can be recovered. Efforts to recover difficult-to-obtain oil can benefit from improved recovery techniques, such as that offered by Wavefront.

(2) The Environmental Remediation Sector

- The growing need to improve groundwater quality should lead to the increase in demand for the Company's products.
- There are over 1.8 million contaminated sites in developed countries (Canada, the United States, Japan, Australia and Western Europe) with one-third of the demand, or over $10 billion, coming from the United States, and about $250 million to $500 million coming from Canada. The national governments in these countries are contemplating tax incentive programs to promote investments in the sector. The United States has already initiated some funding programs.
- The environmental sector in Australia provides the Company with significant potential, as this country spends over $1 billion annually on groundwater remediation. The Company also has received significant interest in its services from Japan and China. However, these talks are still in the early stages and whether they translate into contracts and revenues remain uncertain.
- The Company has decided to set up an international network of distributors, accredited by the Company, to market the Company's products and services. The focus is on smaller-sized companies in these markets. By doing this, expansion costs (and for that matter – risk) could be reduced significantly. Agreements with companies in Europe, Asia, Mexico, and Brazil are expected to be signed soon.
- By going international, especially expansion in the groundwater remediation business, the Company's benefits include: geographical diversification; and a good mix of revenues from the two sectors.

STRATEGY

The Company's key focus, at least for the near term, is on the following:

- Increase marketing efforts of Powerwave with producers whose production exceeds 1,000 barrels per day;
- Defer certain Powerwave contracts until long-term price stability returns to the oil futures market (this stems from the Company's expectation that oil companies may choose to delay implementing improved oil recovery strategies due to low oil prices);
- Continue to complete the existing and pending back orders of Powerwave projects;
- Expand the use of Powerwave to current clients that have an estimated 5,672 injectors currently utilizing Powerwave;
- Increase market penetration of Powerwave and Primawave through third-party distributorships and certified agents internationally;
- Actively monitor clients' credit worthiness to reduce credit risk;
- Carefully implement its capital expenditures program for its expansion plan and product development program to maintain good liquidity; and
- Expand the existing tubing pump and bailer services beyond the western Canadian market, as well as target and develop new users.

COMMENT: *The expansion program includes targeting the declining fields with injection in Alberta; in the United States, the Company is focused on the southwest and west coast regions, with the expansion mainly through accredited distributors; in both markets, the Company's strategy is to demonstrate a successful single well stimulation in order to convince many operators to consider permanent Powerwave installations.*

CUSTOMERS, CONTRACTS, AND MARKET EXPANSION

Powerwave Customers	Contracted Systems	Pending/Under Negotiation
A. Canada		
Intermediate Oil and Gas Cos.	17	5
Energy Trusts	8	0
Small Independents	17	3
Canadian Total	42	8
B. U.S.A.		
Intermediate Oil and Gas Cos.	11	13
Small Independents	34	70
U.S. Total	45	83
Grand Total	**87**	**91**

Source: Company

TUBING, PUMP, AND BAILER BUSINESS

Wavefront also provides pumping equipment and services to oil & gas companies. Subsidiary Wavefront Sand Pumps & Rental Ltd., which provides pumping equipment, operates as an oil service company in the heavy oil industry in western Canada. It is involved in the rental and sale of sand pumps, and associated well bore pumping and cleaning equipment. The Company also supplies tubing bailers and pump-to-surface equipment needed for sand clean-outs and frac sand clean-outs.

In January 2009, the Company acquired all of the outstanding shares of Predator Pumps Ltd., a private company that provides specialized pumping equipment and services for use in heavy oil wells. Predator has been in operation since 2008 as an oil service company in the heavy oil industry, operating in western Canada. Predator offers complementary products to Wavefront Sand Pumps and Rentals.

Total consideration was $750,000 (cash) plus the assumption of $111,087 in long-term debt. The acquisition of Predator increases the Company's presence in the tubing pump and bailer markets, improves its operating efficiencies, and gives the Company an opportunity to expand beyond the local western Canadian market.

The current market for this business is mostly in western Canada. However, the Company is expanding its services into California where there is strong interest for using its services as an alternative to conventional reciprocating pumping.

Competitive Advantages of the Shark Pump

- The acquisition of Predator increases Wavefront's market presence in the tubing pump equipment market in Canada;
- Competitive advantage can be achieved by packaging the services of coil tubing access valve (Shark pump) and Powerwave;
- Shark pump can operate in a large range, providing low pump service costs;
- The Shark pump is better able to handle episodic production events from gas and water slugs;
- Shark pumps can allow access from the surface through the pump to the perforations or areas below the pump without having to retrieve the pump, thus improving cost savings; and
- A Shark pump system can be installed and run in a manner that provides substantial construction and abandonment cost savings because it can be run with any appropriate-sized surface. In the event that the well has not been pumped prior to the installation of the system, there is no need for solid foundations for the pump's operations.

COMPETITION

The market for oilfield services is very competitive but, for Wavefront, competition comes mainly from large, multinational companies who have their own EOR systems, and not from companies of similar size. The competition becomes more difficult for the Company in the age of low oil prices since the Company has not developed its customer base large enough to achieve critical mass.

The groundwater remediation industry is also relatively competitive with a number of large multinational companies such as Vivendi Environment Management (France), Suez Waste Management (France), E.ON (Germany), United Water Resources (USA), and large municipalities in Canada such as Toronto, Vancouver and Montreal. However, these entities do not have the same pulsing technology as Wavefront, giving the Company a distinct operating advantage.

FINANCIAL REVIEW

Table 1: Income/(Loss) and Cash Flow

	9 Months	9 Months	Year End	Year End	12 Months
(CAD$)	May 31. 2008	May 31. 2009	Aug. 31/07	Aug. 31/08	May 31/09
Statement of Income/(Loss):					
Sales	1,311,113	1,078,825	1,537,278	1,752,562	1,520,274
Cost of Sales /Direct Costs	(357,675)	(330,041)	(337,862)	(734,451)	(706,817)
Gross Profit	953,438	748,784	1,199,416	1,018,111	813,457
Gross Margin	72.7%	69.4%	78.0%	58.1%	54.8%
Operating Costs	(3,546,588)	(4,204,177)	(3,603,712)	(4,925,887)	(5,583,476)
Adjusted EBITDA	(2,593,150)	(3,455,393)	(2,404,296)	(3,907,776)	(4,770,019)
Depreciation & Amortization	(512,492)	(470,708)	(216,162)	(603,041)	(561,257)
Adjusted EBIT	(3,105,642)	(3,926,101)	(2,620,458)	(4,510,817)	(5,331,276)
Other Operating Income/(Expenses)	62,013	198,847	(195,693)	141,243	278,077
Stock-based Compensation	(232,643)	(543,097)	(1,340,358)	(395,142)	(705,596)
Interest Expense	(28,372)	(12,911)	(9,402)	(43,914)	(28,453)
Income before Non-recurring	(3,304,644)	(4,283,262)	(4,165,911)	(4,808,630)	(5,787,248)
Gains/loss on Disposals	13,722	(30,721)	14,653	9,354	(35,089)
Write-Downs	(50,661)	(1,689,148)	(198,643)	(2,145,903)	(3,784,390)
Net Loss	(3,341,583)	(6,003,131)	(4,349,901)	(6,945,179)	(9,606,727)
Total Shares Outstanding	71,064,808	71,759,808	48,572,112	71,064,808	71,759,808
Weighted Avg. Shares O/S	60,004,288	71,513,398	47,937,111	62,035,011	73,544,121
Loss Per Share	($0.06)	($0.08)	($0.09)	($0.11)	-($0.13)
Statement of Cash Flow:	May 31. 2008	May 31. 2009	Aug. 31 2007	Aug. 31 2008	May 31. 2009
Net Loss	(3,341,583)	(6,003,131)	(4,349,901)	(6,945,179)	(9,606,727)
All Non-Cash Items	782,074	2,733,674	1,740,510	3,134,732	5,086,332
Cash Flow from Operations	(2,559,509)	(3,273,457)	(2,609,391)	(3,810,447)	(4,524,395)
Capital Expenditures	(808,356)	(1,959,096)	(5,168,158)	(1,794,656)	(2,945,396)
Other Investing Items	(193,032)	(610,857)	(576,887)	91,663	(326,162)
Free Cash Flow	(3,560,897)	(5,843,410)	(8,354,436)	(5,513,440)	(7,795,953)
Working Capital Changes	(391,651)	459,375	(560,700)	451,576	1,302,602
Equity Financing	22,133,066	337,400	26,326	22,314,136	518,470
Debt Financing/Capital Leases	(150,023)	(217,066)	(91,556)	(247,502)	(314,545)
Change in Cash	18,030,495	(5,263,701)	(8,980,366)	17,004,770	(6,289,426)
Cash, Beginning of the Period	5,430,949	22,435,719	14,411,315	5,430,949	23,461,444
Cash, End of the Period	23,461,444	17,172,018	5,430,949	22,435,719	17,172,018

Source: Company financials and *e*Research

- Revenues come from three principal businesses: the oil-service sector; the environmental sector; and the pump and rental business. Currently, the oil service and environmental remediation sectors account for approximately 60% of total revenues.

- Excluding interest and other income, about 85% of revenues come from services, royalties and fees (oil services, environment, and pumps); the remaining 15% is from production and operator fees (net of taxes).

- Production revenues consist of revenue from Rogers County (60%) and Rodney South ventures (40%).

- Revenues for the nine months ended May 31, 2009 declined to $1.1 million from $1.3 million for the same period ending a year earlier. The decline reflects a weak economy and a significant drop in oil prices in late 2008 and the early part of 2009 (down to $32/barrel on December 23, 2008, improved afterward and maintaining around $70/barrel in August through October 2009). The decline in oil prices has adversely affected the Company's acquisition of new clients with respect to the rate of Powerwave adaptation and the implementation of signed Powerwave agreements.

- The weak economy and low oil prices also have had a negative impact on the tubing, pump, and bailer product lines. In addition, the utilization of the groundwater remediation projects in the United States is also negatively affected by the continuing weak economy.

- Because of the above factors, even with the acquisition of Predator, revenues from tubing, pump, and bailer product lines to May 31, 2009 decreased to $432,059 from $602,833, a 28% decline.

- However, despite the recession and weak oil prices, Powerwave and Primawave performed well, recording a slight increase for the same period.

- For the twelve months to May 31, 2009 in comparison to the twelve months to the fiscal year-end of August 31, 2008:

  1. EBITDA declined 22.1% as a result of lower sales and lower gross margins;
  2. Net loss increased to $9.6 million compared to $6.9 million, largely reflecting an increase in non-cash expenses such as stock-based compensation and asset write-downs; and
  3. Cash flow loss from operations declined 18.7%.

- Capital expenditures for the 12-month period amounted to $2.9 million, including over $750,000 paid for the acquisition of Predator.

- Negative cash flow and capital expenditures were well covered with available cash resources.

- Cash at May 31, 2009 exceeded $17 million.

- Monthly "operating burn", i.e., non-discretionary operating costs, is $465,000, or $5.6 million annually.

- Including capex (about $3 million annually), the monthly total expenditure is $715,000, or $8.58 million. Thus, the Company has sufficient cash on hand to cover the "total expenditure" for exactly two years. Of course, if necessary, capex or at least some of the capex can be curtailed.

COMMENT: *We expect negative cash flow to reduce moderately over the next 12 months. Our expectation is based on our assumptions that: (1) the economy in North America is recovering, albeit slowly; and (2) oil prices will stay in the US$65-$85/per barrel range.*

Table 2: Balance Sheet/Liquidity

(CAD$)	Aug. 31 2007	Aug. 31 2008	May 31. 2009
Balance Sheet:			
Cash	5,430,949	22,435,719	17,172,018
Accounts Receivable	902,294	758,180	375,993
Other Current Assets	105,917	122,642	298,493
Capital Assets & Deposits	6,446,384	5,053,228	5,657,914
Intangibles	2,213,209	2,570,096	2,011,371
Goodwill	1,421,001	988,862	1,399,715
Total Assets	16,519,754	31,928,727	26,915,504
Accounts Payable/Accrued Liab.	1,275,854	1,068,559	1,290,593
Bank Debt/Loans Payable	181,718	162,034	111,062
Debt/Capital Leases	301,287	73,469	0
Other liabilities	74,890	174,562	186,380
Total Liabilities	1,833,749	1,478,624	1,588,035
Shareholders' Equity	14,686,005	30,450,103	25,327,469
Total Liabilities & Equity	16,519,754	31,928,727	26,915,504
Book Value (S.E.) Per Share	$0.30	$0.43	$0.35
Working Capital	4,981,588	22,085,948	16,444,849
Working Capital Ratio	4.4	18.9	12.7
Working Capital Per Share	$0.10	$0.31	$0.23

- The balance sheet is strong with almost no leverage and strong working capital.
- Liquidity is solid. As of May 31, 2009, the Company had over $17.1 million in cash whereas the short-term debt was only $111,062.
- The equity base declined significantly at the end May 2009, largely reflecting the substantial asset write-downs associated with Roger County oilfield and royalty rights associated with the South Rodney Farm-in Agreement.
- Over $16 million in working capital was recorded at May 31, 2009. It is expected that this amount may decline moderately due to a significant increase in the number of Powerwave contracts in-hand.

COMMENT: *The installation schedules for these contracts are beyond the Company's control. However, we believe that the Company's current working capital is sufficient to finance the Company's expenses and expected growth over the next 24 months.*

(3) Capital Expenditures and Financing Strategy

- Excluding business acquisitions, a substantial amount of capital expenditures is spent on purchasing equipment. For the 9 months ended May 31, 2009, nearly $2 million was spent on purchasing plant and equipment.
- Capital expenditures are expected to increase moderately as the Company is focused on expanding its products and services beyond the western Canadian market.
- We expect that, in the absence of new business acquisitions, the Company will not need to seek new financing over the next 24 months.

VALUATION

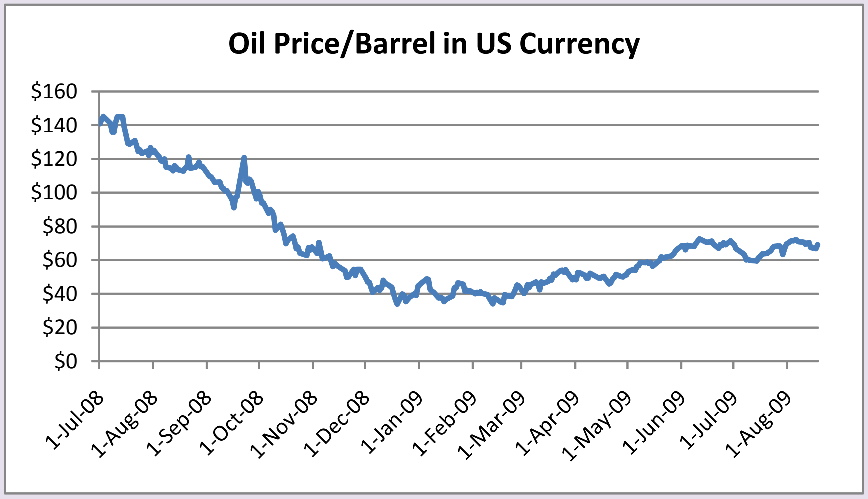
(1) The Impact of Oil Prices:

The business of Wavefront and movements in its stock price are both significantly influenced by changes in the price of oil ("Oil Prices"). Thus, our analysis focuses on the relationships between Oil Prices, the Dow Jones oil equipment and services industry index (the "Index"), and the Company's stock price. From this, and using various future oil prices, we derive scenarios for the Company's potential stock price.

Chart 1: Wavefront Stock Price

- As will be demonstrated, the Wavefront stock price generally follows the patterns shown by Oil Prices (Chart 3) and the Index (Chart 5).
- The Company's stock price reached a high of around $3.25 per share in June 2008, then it dropped significantly to around $0.50 per share in January 2009.
- Since then, and until mid-September 2009, the Company's stock price has remained in the range of $0.50 to $1.00.
- Since mid-September, the shares of Wavefront have escalated sharply, reaching a high of $2.40.

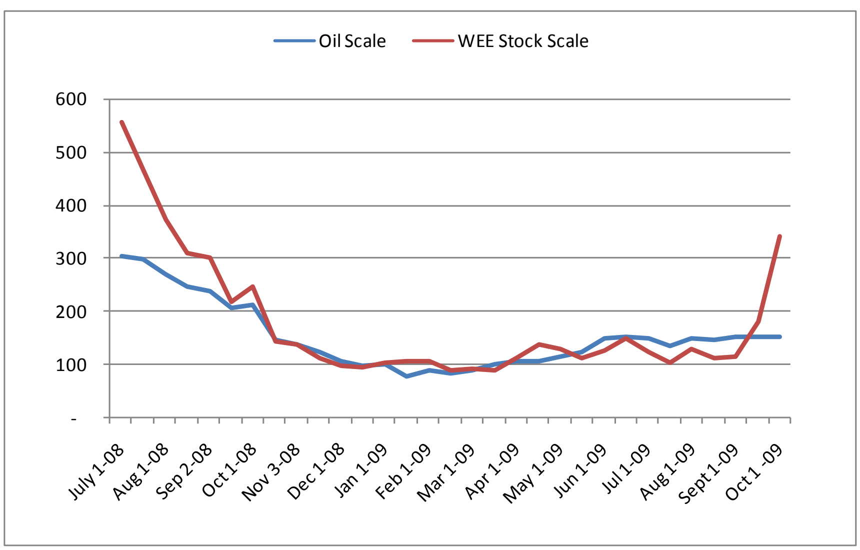
Chart 2: Oil Price/Barrel



Source: U.S. Department of Energy

- The chart above shows the per barrel price of oil in US currency over the past two years.
- The price dropped sharply beginning in July 2008, sliding from around US$147 to about US$32 in March 2009.
- The primary reasons for the decline were the slowing global economy and the credit market crisis.
- Oil Prices started recovering in March 2009 and have remained around US$70/barrel from August 2009 to the present.

Chart 3: Oil Price vs. Wavefront Stock Price



- The chart above shows the two-year movement of Oil Prices and Wavefront's stock price.
- The index on the chart for Oil Prices and the stock price is set at 100 on January 1, 2009.
- Except for the period from July to September 2008 and since mid-September 2009, the movement of Oil Prices and the Company's stock has been closely related.
- The stock scale is significantly higher than the oil scale in the July-September 2008 period and relates primarily to positive corporate news: (1) The Company closed a $9.1 million financing; (2) the Company announced that a large Alberta-based oil and gas company contracted to use the Powerwave Technology, and that it had deployed one of four Powerwave systems in its Alaskan operations; and (3) a Texas-based operator will deploy six Powerwave systems.
- The stock scale has been higher than the oil scale since mid-September 2009 due to the Company's announcements of the acquisition of new customers, whereas there has not been any positive news regarding oil prices and the oil industry.

Chart 4: Oil Equipment and Services Industry Index

2-year Daily Chart of the Dow Jones U.S. DJ US Oil Equipment & Services... Index[sm]

- The above chart shows a 2-year daily chart of the Dow Jones Oil Equipment & Services Index (the "Index").
- The Index is comprised of 108 oil equipment & services companies in Canada and the United States, including Wavefront.
- The Index reached a high point of 900 in July, then declined sharply to under 300 points in November 2008 and remained at this low until March 2009.
- The Index started a recovery in April 2009 and currently remains above 400 points.

Chart 5: Industry Index vs. Wavefront Stock Price

- Chart 5 above show the 2-year Index vs. the 2-year Wavefront stock price
- Except for the period from March 2008 to September 2008, the Company's stock price movement has followed closely the Index.
- The divergences between the 2-year Index and Wavefront values are the same as for the Oil Price versus the Wavefront price that was examined in Chart 3.

Table 3: Potential Wavefront Stock Price

A. Scenario Analysis

	Oil Price	Ratio (%)	WEE Stock Price
Two-Year Average	$70.16	75%	$0.95
Scenario 1	$50	75%	$0.67
Scenario 2	$60	75%	$0.80
Scenario 3	$70	75%	$0.93
Scenario 4	$80	75%	$1.07
Scenario 5	$90	75%	$1.20
Scenario 6	$100	75%	$1.33
Scenario 7	$110	75%	$1.47
Scenario 8	$120	75%	$1.60

Source: *e*Research

- The ratio of 75% used in this analysis is the ratio of the average oil price over the last two years compared to the average price of Wavefront's stock for the same period.

- Using this ratio, when the oil price is at US$70/barrel, as it is currently, the Company's stock price should trade around $0.95, compared to the current price of $2.09, which indicates that the Company's stock is currently overpriced.

COMMENT: *We believe that, over the next 12 months, the Oil Prices could rise to the US$80-$100 range. This indicates that the Company's stock price could trade in the $1.00 - $1.35 range.*

B. Sensitivity Analysis

- To test the sensitivity of the oil price at different ratios and the effect on the price of Wavefront's stock, we used 60% and 90% shown in the table below.

	Oil Price	Ratio (%)	Stock Price	Ratio (%)	Stock Price
Scenario 1	$50	60%	$0.83	90%	$0.56
Scenario 2	$60	60%	$1.00	90%	$0.67
Scenario 3	$70	60%	$1.17	90%	$0.78
Scanario 4	$80	60%	$1.33	90%	$0.89
Scanario 5	$90	60%	$1.50	90%	$1.00
Scenario 6	$100	60%	$1.67	90%	$1.11
Scenario 7	$110	60%	$1.83	90%	$1.22
Scenario 8	$120	60%	$2.00	90%	$1.33

Source: *e*Research

- At an oil price of $70 (as used above), the stock should trade at $1.17 if the ratio of 60% is used, and trade at $0.78 when the ratio of 90% is used.

(2) P/R and P/E Ratios Analysis:

TABLE A

Company	**Revenue** (CAD$)	**Equity BV** (CAD$)	**Market Cap (1)** (CAD$)	**P/R** (T'imes)	**P/B** (Times)
CORRE	2,346,984	11,122,145	5,500,000	2.34	0.49
Bennett Environmental Inc.	12,491,671	11,478,792	16,200,000	1.30	1.41
HTC Purenergy Inc.	4,270,510	28,485,163	31,180,000	7.30	1.09
Average of Peers	**6,369,722**	**17,028,700**	**17,626,667**	**2.77**	**1.04**
Wavefront Technology Solutions Inc.	1,520,274	25,327,469	150,300,000	98.86	5.93
Assume a 10% increase in revenue	1,672,301	27,860,216		89.88	5.39
Assume a 20% increase in revenue	1,824,329	30,392,963		82.39	4.95
Assume a 30% increase in revenue	1,976,356	32,925,710		76.05	4.56
Assume a 40% increase in revenue	2,128,384	35,458,457		70.62	4.24
Assume a 50% increase in revenue	2,280,411	37,991,204		65.91	3.96

(1) As at October 6, 2009

CORRE = Canadian Oil Recovery and Remediation Enterprise

TABLE B (US million	**Revenue**	**Equity BV**	**Market Cap (1)**	**P/R** (T'imes)	**P/B** (Times)
Hemiwedge Inds Inc. (HWEG)	$2.83M	$(3.88 M)	$ 2.1M	0.7	na
Trio Marine Services Inc. (TRMA)	$0. 60M	$0.25M	$ 149.2M	248.7	596.8
Allis-Chalmers Energy Inc. (ALY)	$0.51M	$0.50M	$ 329.7M	646.5	659.4
Complete Production Services (CPX)	$1.1M	$0.84M	$ 971.3M	883.0	1,156.3
Average of Peers	-	-	-	**444.72**	**603.13**
Wavefront Technology Solutions Inc.	CAD $1.52M	CAD $25.3M	CAD $150.3M	98.86	5.93

(1) As at October 8, 2009

- The three companies used in Table A are not completely comparable to Wavefront. However, they do have similar operations, either in the EOR sector or the underground remediation sector. HTC and CORRE are also similar with Wavefront in terms of annual revenues generated.

- Our ratios clearly show Wavefront is significantly overpriced even if revenue would increase by 50% over the next 12-24 months.

- We also used the other top four best performing companies in the US Oil Equipment & Services Index (Down Jones) (Table B). Compared with these companies, Wavefront has the lowest P/R Ratio and P/B Ratio. With revenues so low, the ratios easily get distorted on the high side. As a consequence, these comparisons are not really relevant.

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*e*Research analysts on this report:

Eric Eng, BA (Acct., Econ.), MBA - Eric Eng worked at DBRS as a Analyst/Vice President for 10 years. He obtained a BA in Accounting and Economics and a MBA in Finance at the University of Toronto. He joined *e*Research in January 2008.

Bob Weir, B. Comm, B.Sc., CFA. Bob Weir has 43 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for supervising the firm's 34 analysts and conducting the day-to-day management affairs of the company. He joined *e*Research in 2004 and has been its President, CEO, and Managing Director, Research Services since May 2005.

*e*RESEARCH ANALYST GROUP

Managing Director, Research Services: Bob Weir, CFA

Financial Services
Robin Cornwell

Biotechnology/Health Care
Scott Davidson

Transportation & Environmental Services/ Industrial Products
Bill Campbell

Oil & Gas
Eugene Bukoveczky
Achille Desmarais
Eric Eng

Mining & Metals
Eric Eng
Tony Hayes
Kirsten Marion
Shash Patel
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Bill Campbell
Bob Leshchyshen
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Operational - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.

Low Risk: *Financial* - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock.
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