WAVEFORM ENERGY

Q3

THIRD QUARTER HIGHLIGHTS

- Discovered a new prolific horizon in the Ratcliffe Beds, called the Midale Evaporite Zone, which has high production rates, and anticipated long-life production.

- Refined drilling techniques in the Midale Evaporite Zone and completed a dual leg horizontal well significantly improving the initial flush production rates with average October production of 248 bbls/d, and an average November production (to November 25th) of 160 bbls/d with no associated water.

- Subsequent to quarter end, completed two additional dual leg horizontal Midale Evaporite wells which were successful, illustrating Management's belief that this resource play is predictable and repeatable.

- Issued 5.4 million Class A shares to raise $10.26 million through a bought deal.

- Continued along the learning curve in the Bakken Formation with the drilling of a carried interest well. Initial production rates of 250 to 450 bbls/d have now been achieved in the Bakken just south of the U.S. border in North Dakota indicating the Bakken potential is coming closer to being realized.

- Acquired an additional 8,000 gross acres (5,200 net) in the Tableland area which is prospective in both the Midale Evaporite Zone and the Bakken Formation.

- Acquired 21,000 gross acres (10,500 net) in a lower risk, concept play in the Antler area of southeast Saskatchewan, which is prospective for shallower Bakken oil, with multi-zone potential.

- Initiated, and subsequent to quarter end completed, a 54 square mile 3D seismic shoot over the core of WaveForm's land base which will help refine the Midale Evaporite development program, the Bakken Exploration program, and also highlight deeper potential on the Company's lands.

MESSAGE TO SHAREHOLDERS

In our first nine months of operation we have been successful in achieving our vision to create production and shareholder value through high impact exploration programs, in core areas, in which we have a high working interest, along with operatorship. We are an Exploration Company focused on growth through the drill bit to find large reserves, and high impact drilling opportunities. We have assembled a management team with extensive experience in the Williston Basin of southeast Saskatchewan, as well as being experts in horizontal drilling and completion. This gives us the ability to explore and develop opportunities that have previously been missed with conventional vertical drilling.

We are a unique junior Company as we have assembled a large and highly prospective land base in which to execute our strategy of rapid growth through the drill bit. Our Company has accumulated over 63,000 gross acres which provides us the potential for hundreds of high impact drilling locations over three stacked stratigraphic, or resource plays in the Midale Evaporite, the Upper Bakken, and the Lower Bakken. These resource plays, when in the development phase, provide repeatable and predictable drilling results over a large area, which equates to fast growth, and increased shareholder value.

The Midale Evaporite is already in a 30 well development drilling program currently with 18 gross sections of land being classified as development and having a greater than 80% chance of success. This was a significant new discovery by our team, and our early drilling efforts in this zone have been 100% successful, with typically high production rates, and we believe what will be long-life production. Our geological mapping shows this zone is present across the majority of our Tableland 40,000 gross acres, and we will continue to delineate the zone to prove even greater development potential. Although early in the development of this field, the wells are proving to be very economic, with high netbacks and a very attractive royalty holiday, which provides for a quick payout of capital, which can then be re-invested into our drilling program.

The Bakken Formation is considered one of the most significant hydrocarbon sources in the Williston Basin. The Bakken Formation continues to be a high priority for WaveForm, as the expectation is that this formation has high exploration potential. Management will continue its efforts to evaluate and unlock the Bakken Resource Play. The Company has been actively sharing core data, log data, and other drilling and completion information with numerous companies operating in Canada and the United States, including those with initial successes in North Dakota. WaveForm is encouraged by the early successes in North Dakota, within miles of WaveForm's lands, IP rates from single leg wells have ranged from 250 to 450 bbls/d, illustrating that our local Bakken knowledge is growing rapidly.

The Williston Basin in the Tableland area has 11 potential oil producing zones, all of which are productive within the immediate vicinity of our lands. As a Company we are very excited about other potential zones of interest that could provide significant value in the future. We have just finished shooting a 54 square mile 3D seismic program over the heart of our Tableland lands, which will not only help us refine and optimize drilling location selection for the Midale Evaporite and Bakken Formations, but also reveal the potential within deeper formations. Based on early geological mapping, and structural features that have been apparent through our initial drilling program, the Company is optimistic that these deeper zones will become future targets. The deeper zones in southeast Saskatchewan are characterized by high pressure, high production rates, and long life reserves. Consequently, any one of these zones would be a high impact exploration play for the Company.

Our land base in southeast Saskatchewan is characterized by year round drilling access, with good access to facilities and services. We also have the exclusive use of two drillings rigs to implement our capital program designed to grow production and cash flow, crucial in such a competitive environment where services, and rig availability are in short supply. Year-round access with good infrastructure in our area allows us to continually explore and develop our land base to grow quickly.

Looking forward, we are going to aggressively develop the newly discovered Midale Evaporite field, while we continue learning in the Bakken. Our capital budget for 2006 is $40 million to $60 million which includes the drilling of 24 Midale Evaporite wells to build our production base and cash flow. The remaining capital budget includes drilling in non-core areas with high economic potential, exploration drilling in deeper zones, identified with the interpretation of our 3D seismic, and the drilling of Bakken wells once the drilling and completion techniques are finalized. The range within the capital budget reflects the uncertainty on the characteristics and magnitude of the deeper potential, the timing related to other operators unlocking the Bakken potential, and our ability to secure additional rigs.

Our Company is poised for fast growth through the drill bit. We are very early in our exploration program and are still learning about the formations that exist on our land base, and the best ways to optimize production out of these formations. Although we will have the inevitable successes and failures that characterize this industry, we are very excited about the potential we have already discovered, and even more excited about the potential we will discover in the future.

On behalf of management and the Board of Directors,

Don Rae
President, CEO and Director
November 25, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") for WaveForm Energy Ltd. ("WaveForm" or the "Company"), prepared as at November 25, 2005, has been prepared to analyze for its shareholders the third quarter 2005 operating results and to discuss the Company's future opportunities. The MD&A should be read in conjunction with the audited financial statements for the period ended December 31, 2004. The financial statements, and extracts of those statements provided within this MD&A, were prepared in Canadian dollars and are in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Certain other information with respect to the Company is available on SEDAR, at www.sedar.com and at WaveForm's website at www.waveformenergy.com.

By its nature, the MD&A requires the presentation of certain forward looking financial and operational information that involves known and unknown risks and uncertainties, some of which are beyond WaveForm's control. These include, but are not limited to, general economic conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, government regulations, stock market volatility, and competition from other producers. Although assumptions used in the preparation of forward looking information are considered reasonable by management at the time, actual results could differ materially from those contained in such forward looking information.

The MD&A may contain the term "cash flow from operations", which should not be considered an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with GAAP as an indicator of the Company's performance. WaveForm's determination of "cash flow from operations" may not be comparable to that reported by other companies. The reconciliation between net income and "cash flow from operations" can be found in the consolidated statements of cash flows. The Company also presents cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of income per share.

For the purposes of calculating unit costs, natural gas has been converted to a barrel of oil equivalent ("boe") using a conversion rate of six thousand cubic feet equal to one barrel ("6:1"). This conversion is based upon energy equivalence at the burner tip and does not represent a value equivalency at the well head.

CORPORATE DEVELOPMENTS

WaveForm is a recently formed junior oil and gas company focused on the acquisition, exploration and development of oil and natural gas production in Western Canada with a particular emphasis on exploration in the Tableland area of southeast Saskatchewan. The WaveForm joint venture currently has an undeveloped land base of approximately 40,000 gross acres (24,000 net) which provides 100 potential drilling locations in each of the Midale Evaporite Zone in the Ratcliffe Beds, the Upper Bakken Shale, and in the Lower Bakken Shale. The Company also has a second core area with 21,000 gross acres (10,500 net) in the Antler area. With this large land base, and extensive drilling inventory, WaveForm has the opportunity to achieve our vision of rapid growth through the drill bit.

The Company has discovered a new zone located in the Ratcliffe Beds, the Midale Evaporite, which has already proved to be an exciting and widespread resource play. WaveForm has now shown its ability to provide repeatable and predictable drilling success in that zone with a 100 percent success rate on its first four wells.

WaveForm will continue to study and analyze the potential of the Bakken Formation which is also a resource play that is beginning to achieve initial production rates of 250 – 450 bbls/d in offsetting acreage, just south of the Company's land base, in North Dakota. The Company is in the process of processing a 54 square mile 3D seismic program which will provide information on potential deeper zones over WaveForm's land base and refine the Midale Evaporite and Bakken programs by providing data to identify optimal locations for drilling.

TABLELAND AREA

Ratcliffe Beds, Midale Evaporite Formation

In August, the Company completed its discovery well into the Midale Evaporite Formation in the Ratcliffe Beds, with a single leg horizontal well. The Company determined this formation was a potential target through log analysis when drilling deeper Bakken targets, and then through coring and drill stem testing the vertical portion of our discovery well. In addition, an offsetting vertical well has produced 164,000 bbls of oil over 22 years from only two metres of pay zone. WaveForm's discovery well had an initial production rate of 240 bbls/d and although the well was located one mile from the original offset well that had produced for 22 years, the Company encountered new reservoir characteristics with no pressure depletion. This evidence reinforced management's belief that this formation was ideally suited for horizontal drilling. By exposing 700 metres of the zone horizontally, instead of only 2 metres vertically, horizontal drilling has a profound impact on production rates and will allow for higher ultimate reserve recoveries. This first discovery well averaged 81 bbls/d during October and is currently undergoing a workover to enhance the ultimate recovery factor as a result of information gathered from subsequent drilling, completion and production in this field.

In late September, the Company had drilled and was in process of completing its second well into the Midale Evaporite, which was WaveForm's first dual leg horizontal well, designed to expose a greater amount of reservoir for production. This refined dual leg well initially flowed at 600 to 900 bbls/d, and was placed on pump at 375 bbls/d as this high rate was not sustainable. The formation showed high pressures and a rapid build-up of pressure during production testing. Management believes that after a period of initial flush production that the well has a sustainable production rate of 150 bbls/d, and will be subject to normal field declines thereafter. This dual leg well has now become the template for future drilling, and since coming on production in early October has average production rate of 248 bbls/d during the month. It is currently producing at an average rate of approximately 160 bbls/d during November (up to November 25th) with consistent fluid levels.

Subsequent to period end and up to November 25, 2005 the Company has drilled and completed two additional Midale Evaporite wells both of which are on production. Being the first Company to actively develop this area, and to apply modern horizontal drilling techniques, there is limited pre-existing data. Management is continuing to refine the drilling, completion and production practices based on ongoing experience with this zone. WaveForm's third well had similar high initial flow rates to the second well drilled. However, the well has higher than expected gas production which is causing some operational issues through displacement of the oil and gas locking of the pump, which we are actively working to solve. The fourth well is in early production and has high initial rates of production consistent with the second well, with a more normalized solution gas-to-oil ratio. The fluid rates of both the new wells drilled after quarter end have drawn down more quickly than expected and management is currently assessing the situation but expects these wells to decline to 50 to 100 bbls/d until further completion techniques are designed and implemented. The Company anticipates drilling three additional wells into the Midale Evaporite prior to year-end, however, two of the wells will likely not be on production until early January.

Management is optimistic about the significant, long-term production and reserves potential of the Midale Evaporite discovery. Geological mapping indicates this formation extends across the majority of our land base which has the probability to provide significant production for the Company. The capital costs of these wells are approximately $1,600,000 gross ($1,040,000 net to WaveForm), have 30 degree API oil which is right on the cusp of the medium/light grade, and are subject to a 100,000 bbl royalty holiday whereby the crown royalty rate is 2.5 percent. The high initial flush production, combined with the royalty holiday allows for very quick payouts of the capital costs, and significant cash flow from operations.

WaveForm obtained access to its second rig on November 22, 2005 and can now accelerate the 30 well development program on the 18 sections of land it currently classifies as developmental drilling.

Bakken Formation

The Bakken Formation is considered one of the most significant hydrocarbon sources in the Williston Basin. The WaveForm land base is in the thermally mature part of the Bakken Formation within the Williston Basin, which makes it similar to the North Dakota Bakken Formation, but different from the Viewfield, Sinclair, and Daly fields which are not thermally mature. The presence of light 42 degree oil within the Bakken Formation has been clearly indicated through swab testing, core analysis, and log analysis. The challenge of this area involves identifying the most effective and economic drilling and completions techniques. Richland County, Montana, was the first area in which economic drilling and completions methodologies were successfully identified, however, that process involved years of costly testing and research. The ultimate rewards in terms of reserves and production have been well worth the effort. During the early stages of exploration and development in Richland County, from 2000 to 2003, production grew slowly to approximately 4000 boe/d. However, more recently, with the application of more effective production techniques, production has now grown to more than 40,000 boe/d. WaveForm is encouraged by the early successes in North Dakota, within miles of the WaveForm lands, initial production rates from single leg wells have ranged from 250 to 450 bbls/d, implying that our local Bakken knowledge is growing rapidly.

The Bakken Formation continues to be a high priority for WaveForm, as the expectation is that this formation has high exploration potential. Management will continue its efforts to evaluate and unlock the Bakken resources. The Company has been actively sharing core data, log data, and other drilling and completion information with numerous companies operating in Canada and the United States, including those with initial successes in North Dakota. Although, initial production rates are encouraging, production has never stabilized, and the most effective completion techniques allowing for long-term stabilized production are yet to be determined. WaveForm will continue to share information with the other operators active in the Bakken Formation, but will focus its drilling efforts and the majority of its capital expenditure in the Midale Evaporite Zone, until drilling and completion techniques have been further refined.

During the third quarter, the Company began drilling its third Bakken target well with a joint venture partner providing 100 percent of funding in exchange for a 50 percent working interest, after payout. The drilling was operated by WaveForm and the core information and production data from the first two wells was used to refine drilling and completion methods used. During the drilling process, mechanical problems were encountered when the regional dip was not consistent with expectations. Consequently, the well was drilled partially out of zone, and due to these complications was stopped at 500 metres instead of the targeted 1000 metres. The well was then swabbed, prior to completion. The modified drilling and completion techniques used proved effective as the fluid recovered during swabbing was 80 percent light oil, and 20 percent associated water. This indicates the Formation itself is oil bearing. The well was completed using techniques of the funding partner, which were not consistent with the best practices being utilized in North Dakota. The Company does not expect this well to be commercially successful, however, it has gained valuable information to allow us to continue along the Bakken learning curve, with no capital cost to the Company.

Tableland Deeper Zone Potential

The Company has recently completed a 3D seismic program covering a 54 square mile area across the core of our land base. This will help refine and optimize the drilling location selection for the Midale Evaporite and Bakken formations. Management is excited about the possibility of having high producing deeper zones on its land base. There are six deeper zones, and several shallow zones, which are generating production very close to WaveForm's land base. Based on early geological mapping, and the basement structure features that seen through our initial drilling program, the Company is optimistic that other zones will becoming future targets. The deeper zones in southeast Saskatchewan are characterized by high pressure, high production, and long life reserves. Consequently, any one of these zones would be a high impact exploration play for the Company.

ANTLER AREA

A New Exploration Prospect

During the third quarter the Company acquired 21,000 gross acres (10,500 net) through a joint venture in which WaveForm has a 50 percent working interest. The Antler Area is prospective for light oil in several zones ranging from the Devonian, Birdbear and Torquay formations to the Mississippian aged Bakken, Lodgepole and Tilston formations. The joint venture has conducted geological mapping based on local industry activity, to identify an exploration fairway which it feels may be prospective. Initial wells will be targeting the Torquay and Bakken formations from 900 to 1300 metres deep. Initial production rates are expected to be similar to the Sinclair field, which is in close proximity, ranging from 40 to 80 bbls/d of light sweet oil. The area has good access to infrastructure, and will have dry hole costs of approximately $200,000 per well, with an additional $150,000 to complete. While still consistent with the Company's exploration focus, this additional core area is shallower, accessible vertically, cheaper to drill and is a more conventional and lower risk project which blends nicely with the high impact Tableland core area. WaveForm has a large land base in this area, and believes the lower risk profile of the area is an effective risk management tool for the Company going forward. Management plans a seismic program in the area and anticipates the drilling of three exploration wells prior to year-end.

PETROLEUM SALES

	Third Quarter 2005	Second Quarter 2005
Quarter end petroleum production exit rate (bbls/d)	121	29
Daily average petroleum production (bbls/d)	92	22
Average price received	$69.42	$67.00
Revenue	$587,411	$64,988

Production began from the first two Bakken wells on May 17, 2005 when they were placed on pump. The first Midale Evaporite discovery well was put on production August 14th and comprises 85 percent of the total production for the third quarter, as compared with 100 percent Bakken oil production in the second quarter. The current production rate currently is approximately 330 bbls/d, assuming the fourth well is producing at a sustained rate and not at the initial flush production rate. Associated natural gas production is being used to fuel the production equipment.

ROYALTIES

The royalty expense for the third quarter was $12,427 compared to $1,853 in the second quarter when production commenced. The Saskatchewan royalty regime includes incentives where deep horizontal wells qualify for a royalty incentive on the first 100,000 bbls of production. This incentive reduces the royalty rate to approximately 2.5 percent. This royalty incentive is a significant economic benefit that will allow for high initial netbacks and cash flow from wells drilled in southeast Saskatchewan.

OPERATING EXPENSES

The operating expenses for the second quarter were $360,998. The operating costs on the Midale Evaporite discovery well were $7.78 per bbl for the quarter, which is consistent with the expected future operating costs for Midale Evaporite production. Operating costs in aggregate are high due to the water disposal costs associated with the current production on the first two Bakken wells. In addition, operating costs include a workover of a Bakken well during the quarter involving approximately $170,000, close to 47 percent of the total operating costs.

DEPLETION AND DEPRECIATION EXPENSE

	Three months ended Sept 30, 2005	Nine months ended Sept 30, 2005
Depletion and depreciation expense consists of:	$4,261	$7,421
Depreciation of office equipment	2,310	2,310
Accretion of asset retirement obligation	110,104	126,851
Depletion of petroleum and natural gas properties	50,820	118,580
Depreciation of technology license	$167,495	$255,162
Depletion of petroleum properties per barrel	$13.01	$13.44

The depreciation of office equipment has increased in proportion to the increase in office equipment. The depletion expense has increased with the increase in production and revenues and has remained consistent on a per barrel basis. The technology license value is being amortized over a period of five years, or $16,940 per month. The accretion of the asset retirement obligation reflects the passage of time related to the liabilities recorded in the second quarter.

GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended Sept 30, 2005	Nine months ended Sept 30, 2005
General and administrative expense - gross	356,468	936,966
Overhead recovery	(140,000)	(140,000)
Capitalized amounts	(33,750)	(33,750)
General and administrative expenses – net	$182,718	$763,216

The general and administrative expenses were $763,216 for the nine months ended September 30, 2005 and $182,718 for the three months ended September 30, 2005. As capital activity has increased, additional resources are required including people, software, equipment and other resources to effectively operate a drilling program which reflects the increase in gross G&A costs. During the quarter the Company capitalized $33,750 in salaries of technical personnel within the Company. The overhead recovery of $140,000 relates to the carried-interest Bakken well where our joint venture partner paid 100 percent of the costs of the well, and also pays a 7 percent capital overhead recovery on all expenditures.

The general and administrative costs represent the costs of ongoing operations with no further significant unusual items.

INCOME TAXES

The Company had a loss from operations for the three month and nine month periods ended September 30, 2005 which resulted in a corresponding future tax recovery during both periods. Under GAAP, the future income tax benefits associated with flow-through shares are recognized at the time that the tax filings are finalized. This occurred during the first quarter of 2005, and therefore, the future income tax benefits related to the flow-through shares were recorded as a tax liability and a reduction of share capital. The reduction of the liability for the three months ended, and for the nine months ended September 30, 2005 relate primarily to the increase in non-capital losses during the respective period.

NET LOSS AND CASH FLOW USED IN OPERATIONS

The net loss and the negative cash flow from operations consist of the general and administrative costs, offset by residual interest income and operational revenues which are beginning to increase. The production rates were low at the beginning of the third quarter until the first Midale Evaporite discovery well began production in mid-August, and this contributed to the overall loss position for the nine months ended September 30, 2005, which includes a full year of general and administrative costs. The three months ended September 30, 2005 showed a turnaround in operations with a positive cash flow from operations of $56,545. This cash flow for the three months ended September 30, 2005 is lower than expected due to the workover performed during the quarter for approximately $170,000, and Midale Evaporite well production for only half of the quarter. During the fourth quarter, three additional dual leg Midale wells, with higher associated production, are currently producing and one to three additional wells are expected to be completed. This increased production and continuing development of our land base is expected to improve both profitability and cash flow for the remainder of the year.

The results from September 30, 2004 relate to a usage fee related to the technology license which offsets general and administrative costs for a residual net income. These operations were prior to commencement of the exploration and development program of the Company and are not reflective of the ongoing operations of the Company.

CAPITAL EXPENDITURES

During the nine months ended September 30, 2005 the Company incurred $8,484,223 in capital expenditures and $3,839,121 for the three months ended September 30, 2005. During the third quarter the Company completed the first Midale Evaporite discovery well (100 percent working interest) and had drilled the first dual leg Midale Evaporite well (65 percent working interest) which was completed in October. The Company also participated in the August 16, 2005 Crown land sale and actively acquired freehold lands during the third quarter.

	Three months ended Sept 30, 2005	Nine months ended Sept 30, 2005
Land acquisition, net of disposals	$867,999	$1,033,558
Geological and geophysical	26,185	133,278
Drilling and completion	2,719,287	10,572,185
Equipment and facilities	213,733	557,343
Other	11,917	26,980
	$3,839,121	$8,484,223

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2005, the Company had $8,791,624 in cash and cash equivalents and $8,039,422 in net working capital. Management expects the capital program for the remainder of 2005 to consist of 9 additional wells, which will result in additional capital expenditures of approximately $8 to 10 million dependent on the amount of prospective land that the Company is able to purchase. The Company currently has positive cash flow from operations which will continue to increase each month to fund the capital program, and maintain positive working capital.

EQUITY

As at September 30, 2005 the Company had 25,197,761 Class A common shares outstanding, 935,616 Class B shares, 1,964,500 options outstanding at a weighted average exercise price of $0.98 per common share, and 752,950 broker warrants with an exercise price of $0.20 per common share.

During the first nine months of 2005, the Company had 606,125 warrants exercised at $1.25 for proceeds of $757,657, and 150,770 broker warrants exercised for $0.20 for proceeds of $30,154. The Company had 2,5218,125 warrants expire unexercised on June 22, 2005, and has 752,950 broker warrants remaining which expire December 31, 2005. Subsequent to period end, an additional 258,550 broker warrants have been exercised.

During the third quarter a total of 548,000 options were granted to officers, directors and consultants, and 157,666 options were exercised.

The authorized share capital consists of an unlimited number of Class A and B voting shares. The Class B shares are convertible into Class A shares based on a formula equal to $10 divided by the greater of $1 and the then market price of the Class A shares. The Class B shares are convertible at the option of the Company at any time after January 21, 2008 and before January 31, 2010. The Class B shares are convertible at the option of the shareholder, at any time after February 1, 2010 and before March 1, 2010. Any Class B shares not previously converted will automatically convert to Class A shares on March 1, 2010.

CONTRACTUAL OBLIGATIONS

The Company has entered into a lease for office space, as well as leases for office assets such as a photocopier and computers. The office lease is for a period of one year and shall automatically renew for an additional year unless 30 days notice is given prior to the renewal date. As the contract can be cancelled after one year, the only portion of the commitment that is currently binding is shown in the financial statements.

Annual Commitments	
2005	$ 64,345
2006	8,845
2007	8,845
2008	4,717
2009	2,653

RELATED PARTY TRANSACTIONS

During the nine month period ended September 30, 2005, the Company incurred $42,686 for general corporate legal fees to a legal firm of which a director is a partner. These fees are included in general and administrative expense. The Company incurred $364,883 to an oil and gas service company of which a director of the Company is also the sole shareholder. This amount is included in property and equipment. The Company incurred $62,630 to an oil and gas service company which a director of the company is a director, and officer. This is included in property and equipment.

All transactions were completed on the basis of general market terms and conditions. The Company has specialized, technical expertise on the management team and board of directors and will utilize their services when appropriate to do so. Strict adherence to corporate governance is mandatory when choosing a related party to perform the service which includes a formal bid process, and evaluation of those bids by an independent committee.

NEW ACCOUNTING POLICIES

The Company has adopted the current accounting policies under Canadian GAAP as at December 31, 2004, and no changes have occurred in the third quarter.

BUSINESS CONDITIONS AND RISKS

The business of exploration, development and acquisition of oil and gas reserves involves a number of uncertainties and as a result, WaveForm is exposed to a number of risks inherent to the oil and gas industry. Operationally WaveForm faces risks that are associated with finding, developing and producing oil and gas reserves. These include risks associated with governmental access regulations, cost and availability of third party services, environmental and safety concerns, and access to processing facilities. WaveForm is subject to financial risks due to fluctuating commodity prices, interest rates and the Canadian/US dollar exchange rate. WaveForm's growth may be dependant on external sources of financing which may not be available on acceptable terms.

WaveForm mitigates these risks through hiring a highly competent management team with significant experience in the oil and gas industry. The Company may enter into commodity or interest rate hedging strategies to protect certain levels of cash flow. In the field, WaveForm adheres to operational, safety and environmental standards that meet or exceed recognized levels. Finally, WaveForm maintains an insurance program consistent with industry practice to protect against destruction of assets, well blowouts, environmental problems and other business interruptions.

SUBSEQUENT EVENTS

On October 4, 2005 WaveForm successfully participated in a Crown land sale for a net cost to WaveForm of $1,668,000. The cash related to the land sale was distributed to our joint venture partner on September 30, 2005 and is included in accounts receivable at September 30, 2005.

QUARTERLY INFORMATION

2004	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Revenue	Nil	Nil	66,600	5,987
Net Loss	Nil	(21)	10,652	(174,972)

Operational activity occurred in the Partnership throughout most of 2004. During the late stages of the third quarter and the fourth quarter WaveForm became an operational entity as it began working on the initial public offering and the acquisition of the net assets of the Partnership. The quarterly data does not represent the expected future activity, as the Company began operations late in 2004 and had not yet begun its capital program.

2005	Quarter 1	Quarter 2	Quarter 3
Revenue	42,565	96,382	600,261
Net Loss	(159,630)	(269,406)	(155,725)
Loss per share	(0.01)	(0.01)	(0.01)
Basic and diluted			

The first and second quarter of 2005 reflect the earliest stages of the Company's development of its existing land base. The first Bakken wells were completed in mid-May, and have had high water cuts. The Midale Evaporite well which went on production in mid August, and the additional three Midale Evaporite wells completed to date represent a turning point related to both earnings and cash flow from operations. The Company will continue to develop the Midale Evaporite field which has demonstrated solid initial and sustained production rates, and is protected by a virtual royalty holiday on each wells and as a result both cash flow and earnings are expected to improve in the future.

Additional Information

Additional information relating to WaveForm is filed on SEDAR and can be viewed at www.sedar.com. Information can also be obtained by contacting the Company at WaveForm Energy Ltd, Suite 3000, 150 6th Ave. S.W., Calgary, Alberta, T2P 3Y7, or on our website at www.waveformenergy.com.

FINANCIAL STATEMENTS

For the period ended September 30, 2005

BALANCE SHEET (unaudited)

September 30, 2005

ASSETS	Sept. 30, 2005	Dec. 31, 2004
Current Assets:		
Cash and cash equivalents	$ 8,791,624	$ 10,121,613
Accounts receivable	3,387,955	265,893
Prepaid expenses	35,597	5,000
Current portion of notes receivable	579,950	-
	12,795,126	10,392,506
Property and equipment (note 2)	14,278,607	1,851,535
Technology license	897,820	1,016,400
Notes receivable	-	589,950
	$ 27,971,553	$ 13,850,391
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,755,704	$ 366,183
Obligation under license agreement	-	160,000
	4,755,704	526,183
Asset retirement obligation (note 3)	240,310	-
Future income taxes	2,904,000	-
	7,900,014	526,183
SHAREHOLDERS' EQUITY		
Share capital (note 4)	20,634,197	13,417,125
Contributed surplus (note 4d)	186,446	71,426
Deficit	(749,104)	(164,343)
	20,071,539	13,324,208
Subsequent Event (note 6)	$ 27,971,553	$ 13,850,391

See accompanying notes to financial statements

Approved by the Board:

Donald K. Rae

Donald C. Eagleton

STATEMENT OF OPERATIONS AND DEFICIT (unaudited)

For the nine months ending September 30, 2005 and from period of inception December 19, 2003 to September 30, 2004

	3 months ended September 30, 2005 (unaudited)	3 months ended September 30, 2004 (unaudited)	9 months ended September 30, 2005 (unaudited)	December 19, 2003 to September 30, 2004 (unaudited)
REVENUE:				
Petroleum sales	587,411	-	652,399	-
Royalties	(12,427)	-	(14,280)	-
Interest and other income	25,277	66,600	99,236	66,600
	600,261	66,600	737,355	66,600
EXPENSES:				
Operating	360,998	-	445,736	-
Depletion, depreciation and accretion	167,495	-	255,162	-
Stock based compensation	76,775	-	138,002	-
General and administrative	182,718	53,615	763,216	53,636
	787,986	53,615	1,602,116	53,636
Income (loss) before income taxes	(187,725)	12,985	(864,761)	12,964
Future income tax reduction	(32,000)	2,334	(280,000)	2,334
Net Income (loss)	(155,725)	10,651	(584,761)	10,630
Deficit, beginning of period	(593,379)	(21)	(164,343)	-
Deficit, end of period	(749,104)	10,630	(749,104)	10,630
(Loss) income per share - basic and diluted (note 4c)	$ (0.01)	$ 0.00	$ (0.03)	$ 0.00

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS (unaudited)

For the period ending September 30, 2005 and from period of inception December 19, 2003 to September 30, 2004

	3 months ended September 30, 2005 (unaudited)	3 months ended September 30, 2004 (unaudited)	9 months ended September 30, 2005 (unaudited)	December 19, 2003 to September 30, 2004 (unaudited)
CASH PROVIDED BY (USED IN):				
OPERATIONS				
Net income (loss)	$ (155,725)	$ 10,651	$ (584,761)	$ 10,630
Add (deduct) items not involving cash:				
Depletion, depreciation and accretion	167,495	-	255,162	-
Stock based compensation	76,775	-	138,002	-
Future income tax reduction	(32,000)	2,334	(280,000)	2,334
	56,545	12,985	(471,597)	12,964
Change in non-cash working capital	(360,484)	552,756	(739,197)	552,756
	(303,939)	565,741	(1,210,794)	565,720
FINANCING				
Issue of share capital, net of share issuance costs	9,557,035	(25,796)	10,378,090	(25,696)
Repayment of notes receivables	-	-	10,000	-
Change in non-cash working capital	43,279	-	(103,815)	-
	9,600,314	(25,796)	10,284,275	(25,696)
INVESTMENTS				
Acquisition of property and equipment	(3,839,121)	(540,000)	(12,323,344)	(540,000)
Change in non-cash working capital	(587,017)	-	1,919,874	-
	(4,426,138)	(540,000)	(10,403,470)	(540,000)
Increase (decrease) in cash and cash equivalents	4,870,237	(55)	(1,329,989)	24
Cash and cash equivalents, beginning of period	3,921,387	79	10,121,613	-
Cash and cash equivalents, end of period	8,791,624	$ 24	$ 8,791,624	$ 24
Cash and cash equivalents consists of:				
Term deposits	$ 7,000,000	-	$ 7,000,000	$ -
Bank balances	1,791,624	24	1,791,624	24
	8,791,624	24	8,791,624	24

No interest or taxes were paid during the period
See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The unaudited interim financial statements of WaveForm Energy Ltd. ("WaveForm") have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with the presentation and disclosure in the audited financial statements and notes thereto for the year ended December 31, 2004. The unaudited interim financial statements contain disclosures which are incremental to WaveForm's annual financial statements. Certain disclosures, which are normally required to be included in the notes to the financial statements have been condensed or omitted. The interim financial statements should be read in conjunction with WaveForm's audited financial statements and notes thereto for the year ended December 31, 2004. The Corporation is in the exploration for and development of petroleum and natural gas properties in Western Canada.

2. PROPERTY AND EQUIPMENT

			Sept. 30, 2005	Dec. 31, 2004
	Cost	Accumulated Depletion and Depreciation	Net Book Value	Net Book Value
Petroleum and natural gas properties	14,379,896	126,851	14,253,045	1,845,532
Office equipment	37,096	11,534	25,562	6,003
	14,416,992	138,385	14,278,607	1,851,535

As at September 30, 2005 undeveloped land costs of $2,411,000 were exlcuded from assets subject to depletion. During the three and nine months ended September 30, 2005 a total of $33,750 (2004 - $nil) of general and administrative costs were capitalized.

The Company performed a ceiling test calculation at September 30, 2005 to assess the recoverable value of the property and equipment. The petroleum prices used in the calculation are based on October 31, 2005 benchmark commodity price forecasts of an independent reserve evaluator as follows:

	West Texas Intermediate (U.S. $/bbl)	Company Average (Canadian $/bbl)
2005	64.08	64.93
2006	64.72	63.08
2007	60.83	57.07
2008	55.42	52.41
2009	50.95	49.46
2010	48.48	50.27

Based on these assumptions, the undiscounted value of future net revenues from WaveForm's proved reserves exceeded the carrying value of property and equipment as at September 30, 2005.

3. ASSET RETIREMENT OBLIGATION

The Corporation's asset retirement obligations result from net ownership interests in petroleum and natural gas assets and has an undiscounted total expected future cost of $425,000, which will be incurred over the next 10 years. A credit adjusted risk free rate of 8% and an inflation rate of 1.5% were used to calculate the fair value of the asset retirement obligation.

	Amount
Balance December 31, 2004	0
Liabilities incurred	$ 238,000
Accretion expense	2,310
Balance September 30, 2005	$ 240,310

NOTES TO THE FINANCIAL STATEMENTS

4. SHARE CAPITAL

(a) Issued and outstanding:

	Number of Shares	Amount
Class A Shares		
Balance December 31, 2004	18,808,200	5,413,701
Warrants exercised for cash	606,125	757,656
Class A shares issued for cash	5,400,000	10,260,000
Broker warrants exercised for cash	150,770	30,154
Stock options exercised	232,666	116,048
Less: Future tax effect of flow-through share renouncements		(472,080)
Less: Share issue costs (net of tax future tax effect of $336,400)		(599,634)
Balance September 30, 2005	25,197,761	$ 15,505,846
Class B Shares		
Balance December 31, 2004	935,616	9,356,160
Less: Future tax effect of flow-through share renouncements		(3,461,920)
Less: Share issue costs (net of tax future tax effect of $413,600)		(765,889)
Balance September 30, 2005	935,616	$ 5,128,351
Balance September 30, 2005		$ 20,634,197

(b) Stock option plan:
The Corporation has a stock option plan for employees, consultants, officers and directors. The Corporation may grant up to 10% of the aggregate number of Class A and Class B shares outstanding and no one optionee is permitted to hold more than 5% of the total Class A and B shares outstanding. The options vest one third immediately and one third on the first and second anniversary dates of the grant and expire in five years from the date of grant.

	Number of options	Weighted average exercise price
Outstanding January 1, 2005	-	-
Granted	2,418,000	0.87
Cancelled	(220,834)	0.40
Exercised	(232,666)	0.40
Outstanding - September 30, 2005	1,964,500	0.98
Exerciseable - September 30, 2005	635,834	1.00

(c) Loss per share:
The weighted average number of Class A shares outstanding during the nine month period ended September 30, 2005 was 20,803,203 (September 30, 2004 - 2,382,100), and for the 3 month period ended September 30, 2005 was 22,757,566 (September 30, 2004 - 2,382,100). The Corporation is in a loss position so any conversion of Class B shares, or options would be anti-dilutive to the loss per share.

(d) Contributed surplus

A summary of the change in the Corporation's contributed surplus balance for the nine month period ended September 30, 2005 is as follows:

	Amount
Balance December 31, 2004	$ 71,426
Stock based compensation related to options granted	138,002
Allocation to options exercised	(22,982)
Balance September 30, 2005	$ 186,446

The fair value of options granted during the period was calculated using a Black-Scholes Option Pricing Model. The assumptions used to calculate the value were: risk free rate of 4%, dividend yield of 0%, volatility factor of 75%, and an expected life of 5 years. The value of the options was recorded as stock based compensation expense, with an offsetting amount to contributed surplus based on the vesting terms.

5. RELATED PARTY TRANSACTIONS

During the period, the Corporation incurred expenditures of $42,686 for general corporate legal fees, to a legal firm of which a director is a partner, and is included in general and administrative expense. The Corporation incurred expenditures of $364,883 to an oil and gas service company which a director and officer of the Corporation is a director and sole shareholder, and is included in property and equipment. The Corporation incurred expenditures of $62,630 to an oil and gas service company which a director of the Corporation is a director and officer, and is included in property and equipment.

The transactions have all been measured at their exchange amount, which is considered the market value.

6. SUBSEQUENT EVENTS

On October 4, 2005, the Corporation succesfully participated in a Crown land sale for a net cost to WaveForm of $1,668,000. The cash related to the land sale was paid prior to September 30, 2005 and is included in accounts receivable at period end.

CORPORATE INFORMATION

OFFICERS

Donald Rae
President and Chief Executive Officer

Daniel Hay
Vice President, Finance and Chief Financial Officer

Clifford Hogstead
Vice President, Drilling and Completions

Benjamin Urlwin
Vice President, Exploration

Ross Drysdale
Corporate Secretary

DIRECTORS

Daniel R. Anderson, Chairman of the Board
Calgary, Alberta

Donald C. Eagleton
Calgary, Alberta

Michael E. Heier
Cochrane, Alberta

AUDITORS
KPMG LLP

BANKERS
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LEGAL COUNSEL
Burstall Winger LLP

TRANSFER AGENT
Olympia Trust Company

STOCK EXCHANGE LISTING
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ABBREVIATIONS

bbls	barrels
bbls/d	barrels per day
bcf	billion cubic feet
boe	barrels of oil equivalent of natural gas (on the basis of 1 boe for 6 mcf of natural gas)
boe/d	barrels of oil equivalent per day
Gj	gigajoules
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmbtu	million British thermal units
mstb	thousand stock tank barrels
NGLs	Natural Gas Liquids
stb	standard stock tank barrel
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
WTI	West Texas Intermediate