



NXT ENERGY SOLUTIONS INC.

Consolidated Financial Statements

**For the year ended
December 31, 2018**

NXT ENERGY SOLUTIONS INC.

Consolidated Balance Sheets (Expressed in Canadian dollars)

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 339,532	\$ 166,618
Short-term investments (Note 3)	3,900,000	950,000
Accounts receivable	61,279	60,027
Prepaid expenses	65,159	107,363
	4,365,970	1,284,008
Long term assets		
Deposits (Note 4)	560,341	518,765
Property and equipment (Note 5)	683,157	778,685
Intellectual property (Note 6)	19,654,800	21,339,533
	\$ 25,264,268	\$ 23,920,991
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 499,535	\$ 1,562,394
Income taxes payable	-	201
Current portion of capital lease obligation (Note 8)	42,603	39,579
	542,138	1,602,174
Long-term liabilities		
Capital lease obligation (Note 8)	42,515	85,118
Other liabilities (Note 16)	362,368	517,669
Asset retirement obligation (Note 9)	26,778	56,702
Deferred charges (Note 16)	79,000	81,919
	510,661	741,408
	1,052,799	2,343,582
Commitments and contingencies (Note 16)		
Going concern (Note 1)		
Shareholders' equity		
Common shares (Note 10): - authorized unlimited		
Issued: 68,573,558 (2017 - 58,161,133) common shares	96,656,248	88,121,286
Contributed capital	9,262,684	8,195,075
Deficit	(82,418,397)	(75,449,886)
Accumulated other comprehensive income	710,934	710,934
	24,211,469	21,577,409
	\$ 25,264,268	\$ 23,920,991

Signed "George Liszicasz"
Director

Signed "Bruce G. Wilcox"
Director

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

NXT ENERGY SOLUTIONS INC.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian dollars)

For the Year ended December 31

2018 **2017** **2016**

Revenue			
Survey revenue (Note 17)	\$ -	\$ -	\$ 1,447,269
Expenses			
Survey costs, net (Note 18)	1,103,946	1,289,429	1,157,185
General and administrative expenses	3,999,089	4,960,961	5,645,459
Stock based compensation expense (Note 12)	386,154	581,356	790,500
Amortization expense (Notes 5 & 6)	1,790,267	1,897,576	2,104,864
	<u>7,279,456</u>	<u>8,729,322</u>	<u>9,698,008</u>
Other expenses (income)			
Interest (income) expense, net	(62,004)	4,485	(17,254)
Unrealized Foreign exchange loss	(19,852)	69,676	272,713
Intellectual property and other expenses	(43,428)	91,370	218,853
Gain on extinguishment of liability (Note 20)	(185,661)	-	-
	<u>(310,945)</u>	<u>165,531</u>	<u>474,312</u>
Loss before income taxes	(6,968,511)	(8,894,853)	(8,725,051)
Income tax expense			
Current	-	75,545	374,511
	<u>-</u>	<u>75,545</u>	<u>374,511</u>
Net loss and comprehensive loss	<u>\$ (6,968,511)</u>	<u>\$ (8,970,398)</u>	<u>\$ (9,099,562)</u>
Net loss per share (Note 11)			
Basic	\$ (0.11)	\$ (0.16)	\$ (0.17)
Diluted	\$ (0.11)	\$ (0.16)	\$ (0.17)

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NXT ENERGY SOLUTIONS INC.

Consolidated Statements of Cash Flows (Expressed in Canadian dollars)

For the Year ended December 31

2018 2017 2016

Cash provided by (used in):

Operating activities

Comprehensive loss for the period	\$ (6,968,511)	\$ (8,970,398)	\$ (9,099,562)
Items not affecting cash:			
Stock based compensation expense (Note 12)	386,154	581,356	790,500
Amortization expense (Notes 5 & 6)	1,790,267	1,897,576	2,104,864
Settlement of payable with shares	-	95,181	-
Non-cash changes to asset retirement obligation	(29,925)	2,283	4,000
Asset retirement obligations paid	-	(821)	-
Valuation allowance of Bolivian Tax Credits	-	207,682	-
Foreign Exchange	(19,853)	-	-
Amortization of deferred gain on sale of aircraft (Note 16)	(155,301)	(103,534)	-
Deferred rent (Note 16)	(2,919)	(3,018)	(2,917)
Gain on settlement of liabilities (Note 20)	(185,661)	-	-
Change in non-cash working capital balances (Note 15)	(858,170)	829,014	(1,384,499)
	<u>924,592</u>	<u>3,505,719</u>	<u>1,511,948</u>

Net cash used in operating activities	<u>(6,043,919)</u>	<u>(5,464,679)</u>	<u>(7,587,614)</u>
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Financing activities

Proceeds from exercise of stock options (Note 10)	5,067	35,994	498,970
Net Proceeds from Rights Offering (Note 10)	-	2,029,867	-
Cost of equity-based transaction with non-employee	-	(6,149)	-
Net Proceeds from Private Placement (Note 10)	9,211,351	-	-
Repayment of capital lease obligation (Note 8)	(39,579)	(36,769)	(34,159)
Net cash from (used in) financing activities	<u>9,176,839</u>	<u>2,022,943</u>	<u>464,811</u>

Investing activities

Proceeds/(use) from sale/purchase of equipment, net	(10,006)	3,133,532	(89,702)
(Increase) in Deposits (Note 4)	-	(518,765)	-
Decrease (increase) in restricted cash	-	-	75,000
Decrease (Increase) in short-term investments	(2,950,000)	503,091	602,385
Change in non-cash working capital balances (Note 15)	-	-	(60,187)
Net cash from (used in) investing activities	<u>(2,960,006)</u>	<u>3,117,858</u>	<u>527,496</u>

Net increase (decrease) in cash and cash equivalents	172,914	(323,878)	(6,595,307)
Cash and cash equivalents, beginning of the period	166,618	490,496	7,085,803

Cash and cash equivalents, end of the period	<u>\$ 339,532</u>	<u>\$ 166,618</u>	<u>\$ 490,496</u>
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Supplemental information

Cash interest (received)	(58,889)	4,487	16,057
Cash taxes paid	-	72,587	1,634,360

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

NXT ENERGY SOLUTIONS INC.

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)

	For the Year ended December 31		
	2018	2017	2016
Common Shares			
Balance at beginning of the period (Note 10)	\$ 88,121,286	\$ 85,966,393	\$ 85,051,553
Issuance of Common Stock on Private Placement (Note 10)	8,387,451	-	-
Rights Offering (Note 10)	-	2,029,867	-
Issued upon exercise of stock options (Note 10)	5,067	35,995	498,970
Transfer from contributed capital upon exercise of stock options (Note 10)	6,441	-	415,870
Equity-based transaction with non-employee (Note 10)	-	89,031	-
Finder's fee (Note 10)	136,003	-	-
Balance at end of the period	<u>96,656,248</u>	<u>88,121,286</u>	<u>85,966,393</u>
Contributed Capital			
Balance at beginning of the period	8,195,075	7,613,719	7,239,089
Issuance of warrants on Private Placement (Note 10 and 21)	687,896	-	-
Recognition of stock based compensation expense	386,154	581,356	790,500
Contributed capital transferred to common shares upon exercise of stock options	(6,441)	-	(415,869)
Balance at end of the period	<u>9,262,684</u>	<u>8,195,075</u>	<u>7,613,720</u>
Deficit			
Balance at beginning of the period	(75,449,886)	(66,479,488)	(57,379,926)
Net loss and comprehensive loss for the period	(6,968,511)	(8,970,398)	(9,099,562)
Balance at end of the period	<u>(82,418,397)</u>	<u>(75,449,886)</u>	<u>(66,479,488)</u>
Accumulated Other Comprehensive Income			
Balance at beginning and end of the period	<u>710,934</u>	<u>710,934</u>	<u>710,935</u>
Total Shareholders' Equity at end of the period	<u>\$ 24,211,469</u>	<u>\$ 21,577,409</u>	<u>\$ 27,811,560</u>

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