NXT

Energy Solutions

Annual Report
to Shareholders

For the year ended
December 31, 2014

NXT

Energy Solutions

Message from the President & CEO

May 5, 2015

I wish to start by saying a heart-felt thanks to our clients, employees, advisors, Board of Directors and service providers for their ongoing effort and support of NXT. My message on the attached 2014 Annual Report for NXT Energy Solutions Inc. ("NXT") focuses mainly on the future, and several exciting ongoing developments.

In 2014, our SFD® survey activity reflected the completion of several separate projects we conducted for a new USA based client, Kerogen Exploration LLC. ("Kerogen"). We were pleased that the results of our initial pilot surveys with Kerogen in Florida and Texas quickly led to significant adds to the project scope. We look forward to potential future expansion of the positive results of this relationship with Kerogen, who are backed by Riverstone Holdings LLC, one of North America's premier private-equity funders of exploration start-ups.

We ended 2014 with an expanded level of revenue and higher project profitability as compared to 2013. Following delivery of the Kerogen project, and the receipt in 2014 of $2.7 million from the exercise of warrants to purchase NXT common shares, we exited 2014 with a solid financial foundation - we are debt free, and at December 31, 2014 had a cash and short-term investments balance of $5.2 million.

Growing awareness of SFD, and new client prospects

2014 was a year of significant "prospecting" efforts by NXT. We invested substantial time and effort in developing survey opportunities with several sizeable new client prospects.

In 2013, NXT completed a large frontier SFD survey project for Pakistan Petroleum Ltd. ("PPL"). Based on the results, PPL and NXT co-authored a joint technical paper which gave us significant exposure to other E&P companies operating in Pakistan and in the region. This resulted in a previously announced US $1.4 million contract award with Mari Petroleum, new contract negotiations with PPL and strong interest from other national oil companies in the region.

OGDCL (the largest National Oil Company of Pakistan) has indicated that they intend to soon undertake a formal tender process for a large-scale, remote sensing aerial survey project for which SFD® is ideally suited.

NXT is also pleased to report that Pakistan's petroleum policy has been amended to include remote sensing technologies, thus making SFD® eligible to be part of E&P companies' spending commitments on exploration blocks.

The most significant new client prospect we cultivated in 2014 was YPFB, the NOC of Bolivia. We invested considerable time in making in-depth technical presentations to YPFB, and its affiliated, majority-owned subsidiary companies. These efforts are now finally being rewarded in the form of NXT's largest survey project to date – we are in the final stages of formalizing a binding agreement with YPFB, for a US $13.4 million survey project which should be able to kick-off very quickly in May, to run over a 4 to 5 month period. We are very excited to be gaining another NOC client, and to have the opportunity to apply the SFD technology in a new country in our core Latin America market. We hope to leverage this project with future expansion into other regional target markets - Peru and Ecuador.

In 2014, we also continued to nurture our relationship with client Petrolēos Mexicanos ("PEMEX", the NOC of Mexico). Unfortunately, the extensive energy industry "Reforms" process which PEMEX was involved with in late 2013 continued to draw much of their efforts in 2014, and new exploration focused initiatives were largely on hold. We are optimistic, however, that the results delivered in our initial 2012 project with PEMEX will lead them to use SFD® surveys on a wider scale in both on-shore and offshore areas. In addition, we have been successful in cultivating interest in the value of SFD® with other E&Ps who are seeking to enter the new markets being opened Mexico. Expanded exploration in the Gulf of Mexico, especially in deep water and salt domains, is an area where we plan to have SFD® excel at rapidly providing high-impact prospect generation for our clients.

Other Ongoing NXT Goals

In addition to expanding our client and revenue base, key objectives we delivered on in 2014 include enhancing the protection of our intellectual property, and capitalizing on the value of our Vertical business model.

NXT's goal of creating a vertically integrated exploration entity (a "Vertical"), in order to monetize the value of our existing "library" of proprietary SFD® data, has seen significant progress to date. The platform will utilize a combination of external equity funding of a spin-off entity, an independent and experienced exploration management team, and a high-value data set of identified SFD® anomaly prospects. We commenced a Vertical feasibility study process in earnest last fall, undertaking an in-depth geotechnical analysis of a strategic portion of our SFD® anomalies in Latin America.

NXT is now at the stage of assessing financing options that would secure sufficient equity to allow the new Vertical entity to pursue an exploration and drilling program on the SFD® data set. We intend to be able to expand on the status of funding this exciting new venture in the very near future.

Also in 2014, we undertook a significant expansion of initiatives to protect the Intellectual Property (or "IP") of our SFD® technology, following the filing in May 2013 of an initial US patent application. In November 2014, NXT filed a related patent amendment submission in the US and commenced to undertake new patent applications in select strategic international markets.

On the business development front, we have also now created and launched a significantly upgraded NXT website, and have added the Honorable George Allen (the former governor of Virginia, and a former US Senator) to the NXT Advisory Board. We hope to draw on Governor Allen's vast network of US contacts to foster potential new survey opportunities in frontier USA areas such as Alaska and the Atlantic seaboard. Also, we welcome a new NXT Board member, John Tilson, who brings to us a wealth of experience in the private and public markets.

The sudden down-turn in global oil prices at the end of 2014 has created ongoing uncertainty and contraction in E&P's capital budgets world-wide. It should be noted, however, that the inherently long time investments needed in the exploration cycle, and the reality of steep ongoing declines in oil & gas production and reserves, support the need for E&Ps to take a long-term vision and continue with high value-added exploration efforts. Innovative technologies such as SFD® can play a key role in reducing E&Ps overall finding costs.

Overall, I am extremely proud of what we accomplished in 2014 and to date in 2015, as the true exploration potential of our SFD® technology continues to be recognized by a wider global client base. Overall, I am extremely positive and look forward to 2015 being a new record year for NXT.

Thank you all again for your ongoing interest in, and support of the NXT technology and team.

Best regards,

George Liszicasz

George Liszicasz
President & CEO

NXT

Energy Solutions

NXT ENERGY SOLUTIONS INC.

Management's Discussion and Analysis ("MD&A")

Q4 – 2014

As at and for the year ended December 31, 2014

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared by management based on information available as at April 27, 2015 and should be reviewed in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2014. This MD&A covers the unaudited 3 month ("Q4-14") and 12 month year-to-date ("2014 YTD") periods ended December 31, 2014, with comparative totals for the unaudited 3 month ("Q4-13") and 12 month year-to-date ("2013 YTD") periods ended December 31, 2013.

As used in this MD&A, the terms "we", "us", "our", "NXT" and the "Company" mean NXT Energy Solutions Inc.

Our functional and reporting currency is the Canadian dollar. All references to "dollars" in this MD&A refer to Canadian or Cdn. dollars ("Cdn $") unless specific reference is made to United States or US dollars ("US$").

Forward-looking statements

This MD&A contains forward-looking statements, which include words such as "intends", "plans", "anticipates", "expects", "scheduled", and relate primarily to:

- estimates of the amount and expected timing of revenue and costs related to potential new SFD® survey contracts that may be obtained, conducted and completed in future periods.
- the timing and extent of potential future growth opportunities in new international markets, including new business ventures.
- the potential future conversion of the outstanding preferred shares, which mature on December 31, 2015.
- the Company's ability to continue as a going concern.
- limitations in disclosure controls, procedures, and internal controls over financial reporting.

The material factors and assumptions which affect this forward-looking information include assumptions that NXT will continue to have available the necessary personnel, equipment and required local permits to conduct survey projects as intended.

These forward-looking statements are based on current expectations and are subject to a wide range of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by law, NXT assumes no obligation to update forward-looking statements should circumstances or the Company's estimates or opinions change.

Non GAAP measures

NXT's accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). This MD&A includes references to terms such as net working capital and net working capital before the undernoted items, terms which do not have a standardized meaning prescribed by US GAAP and may not be comparable to similar measures presented by other entities. Management of NXT uses this non-GAAP measure to improve its ability to assess liquidity at a point in time. Net working capital before the undernoted items is defined as total current assets less total current liabilities, excluding amounts accumulated in work in progress, deferred revenue and the fair value of US$ Warrants liability balance. Management excludes these amounts from the calculation as they do not represent future cash inflows or outflows to the Company.

Description of the Business

NXT is a Calgary based publicly traded company that provides a unique aerial survey service to the oil and natural gas exploration and production ("E&P") industry. NXT's proprietary Stress Field Detection ("SFD®") survey technology is based on detecting subtle changes in earth's gravitational field from an airborne platform. SFD® data acquired is analyzed and can be used to find variations in sub-surface geological stress patterns - indicators of potential reservoir and trap formations. NXT's aerial SFD® surveys provide an effective and cost efficient method for clients to focus their decisions related to land commitments and the acquisition of traditional seismic data that is used to locate and delineate exploration prospects.

Our goal is to aid our clients in reducing their overall time, cost, environmental impact, and especially risk in their exploration programs. Relative to traditional land based methods, the SFD® survey method is environmentally non-invasive and is unaffected by ground security issues or difficult terrain. Additionally, SFD® surveys can generally be conducted year round and are effective both onshore and offshore. SFD® and NXT in Canada and the United States are the registered trademarks of NXT Energy Solutions Inc.

NXT's technology is attractive for use as an early stage exploration tool in frontier and under-developed areas, and as such, we have been seeking to expand our presence in growing new international exploration markets such as South and Central America.

Overall Performance - Business Overview

NXT recognizes that its past revenue base has been sporadic in nature, as it is derived from a limited number of clients. Our primary goal is to expand our revenue base, which becomes easier by having each new client become a repeat customer, and on a larger scale.

Our strategy has been to gain wider market acceptance of SFD®, especially with premiere clients which have high exploration activity - targets which include large National Oil Companies ("NOCs"). We seek to have each new client experience how NXT can enhance their existing geophysical tools and exploration programs, so that they become ongoing repeat customers, and ultimately generating a wider client base with recurring revenues to NXT.

The discussion in the MD&A focuses on the highlights of NXT's ongoing business development activities. Estimates of the timing and securing of future contract opportunities are forward-looking expectations which are dependent upon regional political and other factors that are beyond NXT's control.

As was discussed in our recent MD&As, NXT has invested extensive effort in building on our initial success in gaining Petrolēos Mexicanos ("PEMEX", the NOC of Mexico) as a client in 2012. Since 2013, NXT has been working to create a long-term supplier relationship with PEMEX, which we expect can yield larger scale, recurring contract opportunities, as well as expand broader awareness and acceptance of our SFD® technology within the exploration industry.

In 2013, Mexico commenced a process of wide-spread reforms to its constitution, which have had a significant effect on PEMEX, and its ongoing exploration activities. The highlight of the energy industry portion of the reforms is that Mexico will now allow foreign E&P partners into its formerly closed exploration market, by way of inviting open "bid rounds" on certain exploration blocks / concessions which will be released over time by Mexico. This process is intended to yield long-term benefits for all of Mexico, as it should attract significant new capital and expertise to expand development of Mexico's oil and gas industry. Expanded exploration in Mexico, and especially in the deep water and salt domains of the Gulf of Mexico, is an area where SFD® can excel at rapidly providing PEMEX, and other new exploration players who enter this market, with independent high-impact prospect generation data. NXT has started actively marketing to exploration entities which are looking to enter the Mexico market.

In early 2014, PEMEX exploration staff invested time in addressing how to deal with the initial submissions to their regulators under their ongoing "Round Zero" process, and where to prioritize their short and long term exploration efforts. The Round Zero process was completed in Q3-14, and Mexico's regulators have been continuing to refine the framework to be used in the initial "Round One" package of blocks that will be offered for bid by the international E&P industry in 2015. In addition, PEMEX has been undertaking a comprehensive internal restructuring of its staff and business units. These factors have resulted in a longer than expected process of securing new SFD® survey contract opportunities with PEMEX, but NXT remains optimistic that they will become a large scale, repeat customer.

In late 2013, NXT gained another new client, Kerogen Exploration LLC ("Kerogen"), a private, US based entity with a focus on both traditional and non-traditional exploration concepts. An initial US $1.1 million pilot test survey was flown for Kerogen in December 2013 over lands in both Florida and Texas, and delivery of our preliminary survey results quickly led to expansions of the contract scope, to a cumulative total of US $3.7 million. Kerogen is backed by Riverstone Holdings LLC, one of North America's premier private-equity funders of exploration start-ups, and has expressed interest in using SFD® in their future exploration activities.

Near-term Outlook and Strategy for 2015 and beyond

NXT is continuing to expand awareness and use of the SFD® technology. Our market focus will be on the NOCs, small to mid-cap exploration and production ("E&P") companies, and when opportunities arise, the major E&P companies. A lucrative potential longer term new market may become projects with the seismic companies that acquire and sell large scale "Multi-Client" survey programs (primarily off-shore).

Geographically, NXT will continue to pursue prospects throughout South and Central America - primarily in Mexico, Colombia, Bolivia, Peru, Ecuador, and Brazil, as well as the Pakistan / South Asia region. Longer term prospects will also be pursued in the frontier areas of Africa, Asia, and in the Arctic and off-shore Atlantic regions (particularly where Canadian and American E&P companies are operating).

As NXT pursues various international markets, our strategy is to utilize high quality local sales representatives with the key knowledge of their area, the potential clients and the exploration sector of the oil and gas industry. This allows us to cover much larger areas and more clients with minimum fixed cost. NXT currently has in place sales representatives to pursue SFD® survey opportunities in such markets as Latin America (primarily Mexico and Bolivia), South Asia (Pakistan and India) and the middle-east region. All independent international sales representatives are required to certify that they adhere to NXT's code of conduct and business ethics.

New near term contract and revenue opportunities that have recently continued to see positive advancement include prospective clients in Bolivia and Pakistan. NXT has had extensive discussions in recent months with the NOC of Bolivia regarding performing a large new survey project. In April 2015, NXT received a commitment to undertake a US $13.4 million survey project, with finalization of binding contract terms subject to delivery by NXT of standard project performance guarantees. It is anticipated that the project could then commence in mid-2015, upon finalization of the contract and related importation and aviation permits.

Our December 2012 SFD® survey project for Pakistan Petroleum Ltd. ("PPL"), one of the NOCs active in Pakistan, gave NXT significant exposure to numerous E&Ps active in the South Asia region, including NOCs such as OMV (Austria), ENI (Italy), and Oil & Gas Development Company Limited ("OGDCL" - Pakistan). Also, remote sensing technologies such as SFD® have recently been recognized as a geophysical tool for use in meeting spending commitments in Pakistan, such as the commitments required on the sizeable exploration concession blocks awarded in frontier areas of Pakistan. Multiple client prospects have in past expressed interest in conducting potential SFD® surveys in Pakistan, subject to final approval in 2015 of the amendments to Pakistan's petroleum policy.

In early 2015, NXT was awarded a US $1.44 million survey project to be conducted in Pakistan, subject to receipt by the client of all relevant government permits and approvals (which could potentially occur in the next 3 to 6 months). In addition, OGDCL, a new prospective NOC client in Pakistan, indicated that they will conduct a formal tender invitation process for a large scale remote sensing aerial survey project for which SFD® would be an ideal technology for meeting their exploration requirements.

A separate initiative we have been pursuing since late 2013 is researching ways to monetize our existing "library" of proprietary SFD® data. The objective is to create a vertically integrated exploration entity (a "Vertical") which utilizes a combination of external funding, an independent and experienced exploration management team, and a high-value data set of existing SFD® identified prospects. The ultimate goal is for NXT to receive a significant equity and royalty interest in the Vertical in consideration for the sale to the Vertical of certain of our existing, proprietary SFD® data. Developing the Vertical business model with the appropriate structure is a long-term project to develop SFD® identified prospect areas in an effort to yield an additional return to NXT shareholders.

Since the process started in fall 2014, NXT has continued to advance the Vertical concept, including:

- engaging an experienced exploration focused management team to aid in conducting an extensive geotechnical analysis of a defined portion of NXT's proprietary SFD® data library, and further developing an inventory of prospect leads, and
- developing a financing and exploration plan, which we intend to use in marketing the initial Vertical concept, with a view to obtaining a commitment for sufficient external equity funding, with an initial financing to close in the second half 2015.

Some of our ongoing objectives to realize additional future revenue growth include expanding our SFD® equipment capacity, adding to our core group of interpretation staff and our ability to provide integration of SFD® with client geological and geophysical data. Also, in early 2014 we hired a new staff member with experience in developing algorithm software to research if such can be created and deployed to aid in enhancing the SFD® data interpretation process. In October, 2014, we also added a senior sales and marketing advisor to our staff, to enhance our ability to conduct additional global marketing initiatives.

Initiatives to protect our Intellectual Property ("IP" - patenting and new research & development ("R&D") initiatives) continue, which should also serve to allow us to expand on our technology disclosures in order to build further industry awareness, understanding, and acceptance of SFD®. Squire Patton Boggs LLP, a United States ("US") based leader in IP protection, is advising on our IP strategy, including the prior filing of an initial US provisional patent application in May 2013. In November 2014, NXT filed a related patent amendment submission in the US and commenced to undertake new patent applications in select strategic international markets.

Selected Annual Financial Information

	2014	2013	2012
Survey revenue	$ 3,913,367	$ 2,684,095	$ 10,937,575
Net income (loss)	(1,563,361)	(5,341,561)	2,062,728
Net income (loss) per share [(1)]			
Basic	(0.04)	(0.13)	0.05
Diluted	(0.04)	(0.13)	0.04
Net cash flow from (used in) operating activities	(3,581,186)	(774,958)	792,992
Cash and short-term investments	5,224,065	5,769,077	5,107,594
Total assets	6,049,103	6,839,993	7,458,222
Long term liabilities	50,000	64,560	61,813

[(1)] in periods with a loss, the Diluted total excludes the 8,000,000 outstanding convertible preferred shares, as their effect is anti-dilutive.

Summary of Quarterly Results (Unaudited)

A summary of operating results for each of the trailing 8 quarters (including a comparison of certain key categories to each respective prior quarter) follows. The extent of the profit or loss each quarter is mainly due to the timing and the number of SFD® survey contracts that are underway, and variances in such non-cash items as stock based compensation expense ("SBCE"), which can occasionally be a significant expense in any given quarter. In addition, the outstanding US$ denominated common share purchase warrants (all of which were exercised or expired by the end of Q2-14) were classified as a "derivative financial instrument" on our balance sheet, which prior to Q2-14 gave rise to the recognition in earnings each quarter of the change in the estimated fair value (also a non-cash expense or income item) of these warrants.

	Q4-2014 Dec 31, 2014	Q3-2014 Sept 30, 2014	Q2-2014 June 30, 2014	Q1-2014 Mar 31, 2014
Survey revenue	$ -	$ -	$ -	$ 3,913,367
Net income (loss)	(1,532,466)	(1,330,167)	(1,286,461)	2,585,733
Income (loss) per share – basic	(0.03)	(0.03)	(0.03)	0.06
Income (loss) per share – diluted	(0.03)	(0.03)	(0.03)	0.05

	Q4-2013 Dec 31, 2013	Q3-2013 Sept 30, 2013	Q2-2013 June 30, 2013	Q1-2013 Mar 31, 2013
Survey revenue	$ -	$ -	$ -	$ 2,684,095
Net income (loss)	(1,633,189)	(2,522,165)	(1,150,628)	(35,579)
Income (loss) per share – basic	(0.04)	(0.06)	(0.03)	(0.00)
Income (loss) per share – diluted	(0.04)	(0.06)	(0.03)	(0.00)

Q4-14 to Q3-14 comparison – NXT had survey revenue of $nil ($nil in Q3-14), survey costs (related to equipment test flights and aircraft maintenance costs) of $33,221 ($54,472 in Q3-14), and SBCE of $186,000 ($191,000 in Q3-14).

Q3-14 to Q2-14 comparison – NXT had survey revenue of $nil ($nil in Q2-14), survey costs (related to equipment test flights) of $54,472 ($10,637 in Q2-14), and SBCE of $191,000 ($150,000 in Q2-14).

Q2-14 to Q1-14 comparison – NXT had survey revenue of $nil ($3,913,367 in Q1-14), survey costs of $10,637 ($333,188 in Q1-14), SBCE of $150,000 ($131,000 in Q1-14), and an increase in the fair value of US$ common share purchase Warrants (derivative financial instruments) expense of $nil ($42,800 expense in Q1-14).

Q1-14 to Q4-13 comparison – NXT had survey revenue of $3,913,367 ($nil in Q4-13), survey costs of $333,188 ($81,285 in Q4-13), SBCE of $131,000 ($183,000 in Q4-13), and an increase in the fair value of US$ common share purchase Warrants (derivative financial instruments) expense of $42,800 ($268,500 expense in Q4-13). Two survey projects (in Florida in Texas) commenced for a USA based client in late December 2013, with the project completed and the related revenue and work-in-progress costs recognized in the Q1-14 period.

Q4-13 to Q3-13 comparison – NXT had survey revenue of $nil ($nil in Q3-13), survey costs of $81,285 ($8,626 in Q2-13), SBCE of $183,000 ($122,000 in Q3-13), and an increase in the fair value of US$ common share purchase Warrants (derivative financial instruments) expense of $268,500 ($1,243,000 expense in Q3-13). Two survey projects commenced in Q4-13 and were completed in the Q1-14 period. The Q4-13 survey costs relate to non-revenue generating test flights.

Q3-13 to Q2-13 comparison – NXT had survey revenue of $nil ($nil in Q2-13), survey costs of $8,626 ($nil in Q2-13), SBCE of $122,000 ($87,000 in Q2-13), and a change in fair value of US$ Warrants expense of $1,243,000 ($32,000 expense in Q2-13). No survey operations were conducted in the Q3-13 period.

Q2-13 to Q1-13 comparison – NXT had survey revenue of $nil ($2,684,095 in Q1-13), survey costs of $nil ($1,542,248 in Q1-13), SBCE of $87,000 ($100,000 in Q1-13), and a change in fair value of US$ Warrants expense of $32,000 ($172,000 income in Q1-13). No survey operations were conducted in the Q2-13 period.

Q1-13 to Q4-12 comparison – Q1-13 reflects primarily the completion of the Pakistan survey project, whereas Q4-12 reflects completion of a larger contract which was performed in Mexico for PEMEX. NXT had survey revenue of $2,684,095 ($5,727,392 in Q4-12), SBCE of $100,000 ($59,000 in Q4-12) and survey costs of $1,542,248 ($1,277,768 in Q4-12). In addition, a non-cash income amount of $172,000 ($336,000 in Q4-12) was recognized in relation to adjusting the fair value of the US$ Warrants, and income tax expense of $399,546 ($216,807 in Q4-12) was recognized related to foreign with-holding taxes incurred on the Pakistan survey project. Q1-13 reflects a small net loss of $35,579, as compared to a net income of $3,087,323 for Q4-12.

Summary of Operating Results

NXT had a net loss of $1,532,466 for Q4-14 as compared to a net loss of $1,633,189 for the Q4-13 period. The 2014 YTD operating results reflect the completion of two survey projects conducted in the USA in Q1-14, while the 2013 YTD period reflects the completion of the survey contract that was conducted in Pakistan in Q1-13.

	Q4 2014	Q4 2013	2014 YTD	2013 YTD	2012 YTD
Survey revenue	$ -	$ -	$ 3,913,367	$ 2,684,095	$10,937,575
Expenses:					
Survey costs	33,221	81,285	431,518	1,632,159	3,633,645
General and administrative	1,038,423	1,082,883	4,132,108	4,112,787	4,508,506
Stock based compensation expense	186,000	183,000	658,000	492,000	265,000
Amortization of property and equipment	21,692	23,775	67,162	85,484	122,015
	1,279,336	1,370,943	5,288,788	6,322,430	8,532,166
Other expense (income):					
Interest expense (income), net	(15,589)	(7,450)	(50,824)	(25,455)	2,744
Foreign exchange (gain) loss	(35,635)	(16,951)	(158,817)	(150,350)	14,686
Increase (decrease) in fair value of US$ Warrants	-	268,500	42,800	1,371,500	(168,143)
Other expense	304,354	18,147	354,781	107,985	66,973
	253,130	262,246	187,940	1,303,680	(83,740)
Income (loss) before income taxes	(1,532,466)	(1,633,189)	(1,563,361)	(4,942,015)	2,489,149
Income tax expense	-	-	-	(399,546)	(426,421)
Net income (loss) for the period	(1,532,466)	(1,633,189)	(1,563,361)	(5,341,561)	2,062,728

SFD® survey operations - NXT applies the completed contract basis of revenue recognition, with survey revenue and expenses recognized in the quarterly period in which the overall survey recommendations report is delivered to our client. The 2014 YTD results reflect the completion (in Q1-14) of a total of US $3.7 million of survey projects which were conducted in the USA, while 2013 YTD results reflect completion (in Q1-13) of a US $2.7 million survey contract which was flown in Pakistan in December 2012.

While there were no survey revenues in either Q4-14 or Q4-13, survey costs in those periods reflect items related to periodic repairs & maintenance to the survey aircraft used, and also in the Q4-13 period, costs related to research / testing flights which were conducted.

The Q1-13 survey contract in Pakistan reflected some categories of costs which were higher than normal, resulting in a lower profit margin, as well as foreign income tax withholdings which were paid. Also, this project was originally negotiated in 2010, at a survey rate per km lower than the rates now in effect.

General and administrative ("G&A") expense - All salaries and overhead costs related to SFD® data interpretation staff are included in G&A, and not included with direct survey expenses. The categories of costs included in G&A expense are as follows:

	Q4-14	Q4-13	net change	% change
Salaries, benefits and consulting charges	$ 634,572	562,274	72,298	12.9 %
Board, professional fees, & public company costs	71,256	166,058	(94,802)	- 57.1 %
Premises and administrative overhead	153,956	146,866	7,090	4.8 %
Business development	171,364	161,400	9,964	6.2 %
Colombia office	7,275	46,285	(39,010)	- 84.3 %
Total G&A	1,038,423	1,082,883	(44,460)	- 4.1 %

	2014 YTD	2013 YTD	net change	% change
Salaries, benefits and consulting charges	$ 2,383,388	2,050,587	332,801	16.2 %
Board, professional fees, & public company costs	612,847	802,450	(189,603)	- 23.6 %
Premises and administrative overhead	599,230	584,778	14,452	2.5 %
Business development	433,441	544,642	(111,201)	- 20.4 %
Colombia office	103,202	130,330	(27,128)	- 20.8 %
Total G&A	4,132,108	4,112,787	19,321	0.5 %

While total G&A for the Q4-14 and 2014 YTD periods are comparable to the 2013 periods, the overall net changes in G&A expense within the five individual categories noted above reflect several factors:

- staff levels were slightly higher in 2014 as compared to 2013.
- Board, professional fees, & public company costs decreased in 2014 primarily due to lower expenses for discretionary investor relations activities.
- business development costs are affected by the timing of discretionary international trips, and for the 2013 YTD period there was a higher number of international tradeshows and conferences attended.
- NXT previously maintained a one person administrative office in Colombia, and this person was laid off in the Q3-14 period due to an ongoing lack of survey activity in the region.

Stock Based Compensation Expense (SBCE) - this expense varies in any given quarter or year, as it is a function of several factors, such as the number of stock options issued in the period, and the period of amortization (based on the term of the contract and / or number of years for full vesting of the options, which is normally 3 years) of the resultant expense. Also, SBCE is a function of periodic changes in the inputs used in the Black-Scholes option valuation model, such as volatility in NXT's trailing share price.

There were a lower average number of stock options outstanding for the Q4-14 and 2014 YTD periods (total of 2,541,435 as at the end of Q4-14 as compared to 2,888,100 at the end of Q4-13) giving rise to a lower level of SBCE on stock options for the Q4-14 and 2014 YTD periods as compared to Q4-13 and 2013 YTD. Total SBCE for the 2014 periods, however, is higher than the 2013 totals, as it includes additional expense recognized related to new "Rights" which were issued in January 2014 (see discussion which follows in the "convertible preferred shares" section herein) as follows:

	Q4 2014	Q4 2013	2014 YTD	2013 YTD
SBCE recognized related to:				
Stock options	$ 134,000	$ 183,000	$ 432,000	$ 492,000
Rights	52,000	-	226,000	-
	186,000	183,000	658,000	492,000

Interest income, net - includes interest income earned on short-term investments, which had a higher total for most of the 2014 YTD period, as well as for the Q4-14 period as compared to the Q4-13 period.

Loss (gain) on foreign exchange - this total is caused by changes in the relative exchange values of the US$, Cdn$ and to a minor extent, the Colombian peso ("COP"). For example, when the Cdn$ trades higher relative to the US$ or COP, cash held in US$ or COP will decline in value, and this decline will be reflected as a foreign exchange loss in the period. NXT normally holds its cash and short-term investments in Cdn$ to reduce the effect of market volatility; however, we periodically are contractually obligated to hold certain restricted cash funds in US$ instruments to support performance bond commitments for some clients in foreign countries.

The value of net US$ monetary assets can vary widely each period, based on such factors as the extent of US$ revenue contracts in process, and the exercise of US$ common share purchase Warrants, which occurred from October 2013 through May 2014. The valuation is also affected by the relative strength of the US$ at each period end, which rose as at the end of Q4-14 as compared to Q4-13 (1.1601 Cdn$ / US$ at December 31, 2014 as compared to 1.0636 Cdn$ / US$ as at December 31, 2013), resulting in both realized and unrealized net exchange gain movements on the net holdings of US$ cash and other working capital items.

Other expense - this category includes primarily discretionary costs related to intellectual property filings (which had a high level of activity in the Q4-14 period) and R&D activity related to the SFD® technology, as well as minor ongoing net expenses related to prior oil & gas activities.

In the Q4-14 period, NXT also incurred geotechnical and consulting costs related to conducting a feasibility study for the Vertical concept, with a goal of seeking to monetize the value of our proprietary SFD® data library. Total costs, by category, were as follows:

	Q4 2014	Q4 2013	2014 YTD	2013 YTD
Other expenses incurred re:				
Intellectual property and R&D	$ 103,881	$ 16,700	$148,975	$ 93,585
Other, net	(12,768)	1,447	(7,435)	14,400
Feasibility study	213,241	-	213,241	-
	304,354	18,147	354,781	107,985

Change in fair value of US$ Warrants - in spring 2012, NXT closed a $3.2 million private placement financing of "units", which were priced at US $0.75. Each unit included one warrant to purchase a NXT common share for a period of two years (the "Warrants"). As these Warrants were denominated in US$ (exercise price of US $1.20 per share) they are considered to be a "derivative financial instrument" for financial statement reporting purposes, and were required to be re-valued to their estimated fair value at each period end until their exercise and / or expiry in early 2014. The estimated fair value for the net outstanding US$ Warrants was initially recorded at $409,143 upon issue of the Warrants in early 2012, and this increased to $1,238,000 as at December 31, 2013.

Of the total 4,502,821 US$ Warrants which were issued in 2012, the majority had expiry dates in March 2014, and a portion in May 2014, such that there are now no US$ Warrants outstanding.

A continuity of the US$ Warrants, and the related exercise proceeds received in 2013 and 2014 is as follows:

	# of US$ Warrants	exercise proceeds received
		(in Cdn$)
Issued in 2012 private placement financings	4,502,821	-
Warrants exercised in 2013	(846,700)	$ 1,064,222
Outstanding as at December 31, 2013	3,656,121	1,064,222
Activity in 2014:		
Warrants exercised	(2,057,852)	2,735,995
Warrants expired	(1,598,269)	-
Outstanding as at December 31, 2014	-	$ 3,800,217

Income tax expense - NXT periodically earns revenues while operating outside of Canada as a non-resident within certain foreign jurisdictions. Progress billings by NXT for services rendered to clients in such countries may be subject to foreign withholding taxes at the time of payment to NXT, and these amounts are only recoverable in certain circumstances. During Q1-13, NXT recorded $399,546 in withholding taxes related to its revenues for the Pakistan project. No foreign taxes were incurred in 2014.

Although such foreign taxes paid can potentially be utilized in Canada as a foreign tax credit against future taxable earnings from the foreign jurisdictions, a full valuation allowance has been provided against this benefit.

Liquidity and Capital Resources

NXT's cash and cash equivalents plus short-term investments at the end of Q4-14 was $5.2 million The total at each quarter end excludes any amounts classified on the Balance Sheet as restricted cash, which is required periodically as security related to performance of certain foreign survey contracts. Security issued by NXT is normally in the form of bank letters of credit (often for a term of 12 to 15 months), such as were issued to undertake a survey in Guatemala in 2012. The restricted cash balances were released to NXT when the related letters of credit expired in 2014.

Significant progress has been made in the recent past in securing new revenue contracts and expanding our working capital. NXT's ability to continue as a going concern, however, remains dependent upon our success in being able to continue to attract new client projects and expand the revenue base to a level sufficient to far exceed G&A expenses, and generate excess net cash flow from operations. Equity financings have been used on a limited basis in recent years to supplement working capital as required.

Private placement financings totaling $3.2 million ($2.9 million net of finders fees and share issue costs incurred) were conducted in early 2012 to enhance NXT's financial strength and fund its expansion plans. This financing also included the US$ common share purchase Warrants (which had a term of two years, expiring in March and May 2014), for which exercise proceeds of US $1.0 million were received in Q4-13 and US $2.5 million in 2014.

Risks related to having sufficient ongoing working capital to execute survey project contracts are mitigated through our normal practice of obtaining progress payments from clients throughout the course of the projects, which often span 3 to 4 months.

NXT has no secured debt, and had total "net working capital" of $5.0 million as at Q4-14, compared to a total of $1.6 million at Q4-13, as follows:

	December 31, 2014	December 31, 2013	net change in 2014
Current assets (current liabilities):			
Cash and cash equivalents	$ 50,635	$ 3,319,627	$ (3,268,992)
Short-term investments	5,173,430	2,449,450	2,723,980
	5,224,065	5,769,077	(545,012)
Restricted cash	-	53,921	(53,921)
Accounts receivable	248,930	295,879	(46,949)
Prepaid expenses and deposits	338,644	158,456	180,188
Accounts payable and accrued liabilities	(782,626)	(939,355)	156,729
Net working capital before the undernoted items	5,029,013	5,337,978	(308,965)
Additional asset (liability) amounts:			
Work-in-progress	-	299,842	(299,842)
Deferred revenue	-	(2,781,101)	2,781,101
Fair value of US$ Warrants	-	(1,238,000)	1,238,000
	-	(3,719,259)	3,719,259
Net working capital	5,029,013	1,618,719	3,410,294

NXT utilizes the above noted sub-total line "net working capital before the undernoted items" to assess a more relevant measure of financial liquidity (excluding items classified as liabilities such as the fair value of US$ Warrants and deferred revenue balances) as at the period end date.

The significant increase in net working capital in 2014 to a total of $5.0 million at the end of Q4-14 is primarily due to:

- the receipt in 2014 of exercise proceeds of $2.7 million upon exercise of 2,057,852 of the US$ Warrants.
- receipt of final progress billings of $1.2 million, and reversal of the Q4-13 $2.7 million deferred revenue balance, following completion and delivery of the USA survey projects in Q1-14.
- the reversal (due to exercises and expiries) in 2014 of the $1.2 million recorded at Q4-13 for the fair value of the remaining 3,656,121 US$ Warrants which were then outstanding.

As noted previously, the fair value of US$ Warrants balance relates to the estimated fair value of the common share purchase Warrants (which had a US$ 1.20 exercise price) which were issued in the private placement financings in early 2012. Prior to Q4-14, this balance was adjusted to its estimated "fair value" at each period end (until expiry of the Warrants in March and May, 2014), based on the number of Warrants outstanding. These derivative financial instruments were classified in the balance sheet as a liability, but did not require any ongoing outlay of cash. These US$ Warrants had a term of two years, and all of them were either exercised or expired by the end of Q2-14.

NXT applies the "completed contract" method of revenue recognition - revenues and related project costs are deferred until the period in which the survey contract is completed. Deferred revenue (a current liability) represents progress billing amounts that are to be recognized in revenue in future periods. Similarly, work-in-progress ("WIP", a current asset) relates to deferred survey costs which will be expensed in future periods upon completion of the related contracts. The WIP balance at December 31, 2013 related to costs incurred on the USA survey projects which were completed in March, 2014.

Also, deferred revenue represents only the portion of progress billings that were issued to the quarter end on the uncompleted contracts. The total as at Q4-13 related to the two USA survey projects which were underway at year end.

The decreased total of accounts payable and accrued liabilities at Q4-14 as compared to Q4-13 is largely due to there being no survey activity in Q4-14.

The following summarizes NXT's net cash flows, and the total cash plus short-term investments held at the end of the periods:

Cash flows from (used in):	Q4-14	Q4-13	2014 YTD	2013 YTD
Operating activities	$ (1,432,795)	$ 1,552,786	$ (3,581,186)	$ (774,958)
Financing activities	91,951	1,071,722	3,024,061	1,077,456
Investing activities	543,063	420,041	(2,711,867)	(2,035,465)
Net source (use) of cash	(797,241)	3,044,549	(3,268,992)	(1,732,967)
Cash and cash equivalents, start of period	847,876	275,078	3,319,627	5,052,594
Cash and cash equivalents, end of period	50,635	3,319,627	50,635	3,319,627
Cash and cash equivalents	50,635	3,319,627	50,635	3,319,627
Short-term investments	5,173,430	2,449,450	5,173,430	2,449,450
Total	5,224,065	5,769,077	5,224,065	5,769,077

As shown above, cash balances decreased in the Q4-14 period by $797,241 to $50,635 as at December 31, 2014. The overall net decreases in cash in the Q4-14 and 2014 YTD periods is a function of several factors including any inflows (outflows) due to changes in net working capital balances, proceeds from exercises of US$ Warrants, less cash transferred into short-term investments. Further information on the net changes in cash, by each of the Operating, Financing, and Investing activities, is as follows:

Operating Activities

	Q4-14	Q4-13	2014 YTD	2013 YTD
Net loss for the period	$ (1,532,466)	$ (1,633,189)	$ (1,563,361)	$ (5,341,561)
Total non-cash income and expense items	193,864	476,275	753,402	1,951,731
	(1,338,602)	(1,156,914)	(809,959)	(3,389,830)
Decrease (increase) in non-cash working capital balances	(94,193)	2,709,700	(2,771,227)	2,614,872
Cash from (used in) operating activities	(1,432,795)	1,552,786	(3,581,186)	(774,958)

Financing Activities

- no equity financings occurred in 2014 or 2013. In 2014 NXT received a total of $2,735,995 proceeds from exercise of US$ common share purchase Warrants which were issued in 2012 and $288,066 proceeds from exercise of a total of 482,665 stock options.

Investing Activities

- the overall net cash changes from investing activities noted above are virtually all related to the movement of cash into or out of short-term interest bearing investment balances. For Q4-14 there was a net cash source from decrease in short-term investments of $582,379 ($421,729 source for Q4-13) and a $2,723,980 use of cash for 2014 YTD ($2,394,450 use of cash for 2013 YTD) related to the net increase in short-term investments in the year.
- a net cash source of $nil in Q4-14 ($1,688 net cash use for Q4-13) and net cash inflow of $53,921 for 2014 YTD ($379,448 net cash source for 2013 YTD) arose on net changes in restricted cash balances which have been issued as security for performance guarantees on international survey contracts.
- cash used for purchases of office and other equipment were $38,776 for Q4-14 ($nil for Q4-13) and $41,808 for 2014 YTD ($20,463 for 2013 YTD).

Contractual Commitments

Office premises lease

NXT has an operating lease commitment on its existing Calgary office space for a term through July 31, 2015 at a minimum monthly lease payment of $26,894 (including estimated operating costs). NXT has also committed to an operating lease on new office premises for a 10 year term commencing in 2015 at an initial estimated minimum monthly lease payment of $42,368 (including operating costs).

The total estimated future minimum annual commitment for these two premises leases is as follows:

Year ending December 31	Existing premises	New premises	Total
2015	$ 188,257	$ 127,103	$ 315,360
2016	-	508,410	508,410
2017	-	508,410	508,410
2018	-	508,410	508,410
2019	-	508,410	508,410
	188,257	2,160,743	2,349,000
Thereafter, 2020 through 2025	-	2,979,848	2,979,848
	188,257	5,140,591	5,328,848

Aircraft charterhire commitment

NXT currently does not own any of the aircraft which are used in its' survey operations, but has an annual agreement to utilize a minimum annual volume of aircraft charter hours (the "Charter Agreement"). The charterhire commitment to be met by the end of 2015, including a short-fall in hours carried forward from 2014, is $641,250.

As part of the 2015 annual renewal of the Charter Agreement, NXT has made a deposit payment of $168,750 in February 2015, and an additional $135,000 is due by June 30, 2015. This total of $303,750 will be held as non-refundable deposits to be applied, as utilized to September 30, 2015, against the charterhire commitment carried forward from 2014.

Additional Disclosures - Outstanding Securities

	as at April 27, 2015	as at December 31, 2014	as at December 31, 2013
Shares issued and outstanding:			
Common shares	44,965,509	44,958,843	42,418,326
Convertible preferred shares	8,000,000	8,000,000	8,000,000
Common shares reserved for issue re:			
Stock options	3,135,835	2,541,435	2,888,100
US$ common share purchase Warrants	-	-	3,656,121
	56,101,344	55,500,278	56,962,547

Convertible preferred shares

The convertible preferred shares are non-voting, are held by NXT's President & CEO, and were issued in the 2005 / 2006 period pursuant to NXT acquiring rights to use the SFD® technology for hydrocarbon exploration applications. The preferred shares are convertible on a 1 for 1 basis into NXT common shares by December 31, 2015 (the "Maturity Date"), subject to earlier partial conversions if certain cumulative revenue milestones are achieved by NXT.

NXT has an option to elect by December 31, 2015 to convert the 8,000,000 preferred shares in order to maintain its rights to utilizing the SFD® technology. In the event that the conversion option is not exercised by December 31, 2015, the preferred shares would be redeemed for $0.001 per share and NXT's rights to the SFD® technology would revert to the holder of the preferred shares.

The 8,000,000 preferred shares are subject to conditions related to potential future conversion. They may become convertible into common shares in four separate increments of 2,000,000 preferred shares each, should NXT achieve specified cumulative revenue thresholds of US $50 million, US $100 million, US $250 million and US $500 million prior to December 31, 2015. An additional bonus of 1,000,000 NXT common shares are issuable in the event that cumulative SFD® revenues exceed US $500 million.

Cumulative revenue is defined as the sum of total revenue earned plus proceeds from the sale of assets accumulated since January 1, 2007, all denominated in US$, and calculated in accordance with US GAAP. As at December 31, 2014, the Company had generated cumulative revenue of approximately US $29.5 million (December 31, 2013 - US $25.8 million) that is eligible to be applied to the above noted conversion thresholds.

NXT intends to continue to develop the SFD® technology, and retain it by exercising NXT's option to convert the preferred shares in 2015 prior to (subject to regulatory considerations) the Maturity Date.

In January 2014, NXT's CEO (the "Grantor") personally granted (to a total of 17 persons, including NXT employees, directors, officers, advisors and others) "Rights" to acquire a total of 1,000,000 of the common shares which are expected to become issued to him in 2015 upon future conversion of the preferred shares by their Maturity Date. Each of the Rights are subject to certain vesting provisions and will entitle the holder to acquire from the Grantor one common share of NXT at a fixed exercise price of $1.77 and will expire on December 31, 2015. A total of 365,000 of these Rights were granted to certain directors and officers of NXT, and a total of 430,000 Rights were granted to NXT's employees and advisors. These Rights are supplemental to existing incentives which have been granted under NXT's stock option plan.

Other Transactions With Related Parties

One of the members of NXT's Board of Directors is a partner in a law firm which provides legal advice to NXT. Legal fees incurred with this firm were as follows:

Q4 2014	Q4 2013	2014 YTD	2013 YTD
$ 449	$ 22,883	$ 18,549	$ 39,966

Accounts payable and accrued liabilities includes a total of $124 ($29,274 as at December 31, 2013) payable to this law firm. In addition, accounts payable and accrued liabilities includes $23,673 ($31,045 as at December 31, 2013) related to re-imbursement of expenses owing to persons who are Officers of NXT.

Critical Accounting Estimates

The preparation of NXT's consolidated financial statements is in accordance with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities including the disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as the amount of revenues and expenses recorded during the reporting periods. Estimates made related to allowances for doubtful accounts, estimated useful lives of assets, provisions for contingent liabilities, measurement of stock-based compensation expense, valuation of US$ Warrant derivative instruments, valuation of deferred income tax assets, estimates for asset retirement obligations, and the valuation of preferred shares (which may include estimates of the likelihood that the conversion feature of the preferred shares will be achieved in future). The estimates and assumptions used are based on management's best estimate. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period when determined. Actual results may differ from those estimates.

Changes in the accounting estimates or assumptions could have a significant impact on the Company's reported Consolidated Statement of Income (Loss).

The key elements and assumptions that we have made under these principles and their impact on the amounts reported in the Consolidated Financial Statements remain substantially unchanged from those described in NXT's 2013 audited consolidated financial statements.

Revenue Recognition

Revenue earned on SFD® survey contracts (net of any related foreign sales taxes) is recognized on a completed contract basis. This method of revenue recognition is currently deemed as appropriate given the complex nature of the end product that is delivered to the client - while the quantity of data acquisition can be measured based on actual line kilometers flown, the acquired SFD® data does not realize its full value until it is processed, interpreted in detail, and a recommendations report is generated and reviewed with the client's geological and geophysical staff.

All funds received or invoiced in advance of completion of the contract are reflected as unearned revenue and classified as a current liability on our balance sheet. All survey expenditures and obligations (including directly related sales commissions) related to uncompleted SFD® survey contracts are reflected as work-in-progress and classified as a current asset on our balance sheet. Upon completion of the related contract, unearned revenue and the work-in-progress is moved as appropriate to the statement of income (loss) as either revenue or survey cost. Survey costs do not include any salaries and overhead related to SFD® data interpretation staff (which is included in G&A expense) or amortization of property and equipment expense.

Income taxes

NXT applies the asset and liability method of accounting for income taxes. This method recognizes deferred income tax assets and liabilities at the rates when the temporary differences are reversed or realized, based on temporary differences in reported amounts for financial statement and income tax purposes. The effect of a change in income tax rates on deferred income tax assets and deferred income tax liabilities is recognized in income in the period when the change is enacted. Valuation allowances are provided when necessary to reduce deferred tax assets to the estimated amount that is more likely than not to be realized.

Stock-based compensation expense (SBCE)

NXT follows the fair value method of accounting for any stock options which are issued under its stock option plan. Under this method, an estimate of the fair value of the cost of all stock options (as well as the Rights which were granted in 2014 on a portion of the preferred shares) granted to employees, directors and consultants is calculated using the Black-Scholes option pricing model and charged to income over the vesting period of the stock option, with a corresponding increase recorded in contributed capital. Upon exercise of the stock option, the consideration received by the Company, and the related amount previously recorded in contributed capital, is recorded as an increase in common share capital.

SBCE related to any non-employee consultants is periodically re-measured at each period end until their performance period is complete. Changes to the re-measured compensation are recognized in the period of change and amortized over the remaining life of the vesting period in the same manner as the original stock option grant.

Financial Instruments

In spring 2012, NXT conducted a private placement financing, which included the issuance of common share purchase Warrants with a US $1.20 exercise price. As these US$ Warrants were denominated in a currency other than the Company's Canadian $ functional currency, they are classified as "derivative instruments" under US GAAP. These derivative instruments are considered to be a Financial Instrument, and are recorded on a fair value basis (which was a total of $1,238,000 as at December 31, 2013) at each period end. NXT has no other outstanding Financial Instruments, such as foreign currency hedges.

The US$ Warrant valuation had been classified as level III in the fair value hierarchy as it was determined using valuation based on both observable and unobservable market data. The US$ Warrants were valued using a Black-Scholes model, with additional factors for a discount due to the potential dilution impact upon exercise of the US$ Warrants and NXT's public market liquidity.

The Company has no other Financial Instruments that are recorded at fair value.

Changes in Accounting Policies Including Initial Adoption

There were no changes in accounting policies that affected NXT in any of its last two fiscal years ended December 31, 2013 and 2014.

Future Accounting Policy Changes

In May 2014, the US Financial Accounting Standards Board ("FASB") issued new guidance on accounting for "Revenue from Contracts with Customers", which supersedes the current revenue recognition requirements and most industry-specific guidance. This new guidance will require that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. This new guidance will be effective from January 1, 2017, and early application is not permitted. There will be two methods in which the amendment can be applied: (1) retrospectively to each prior reporting period (which will include NXT's fiscal years 2015 and 2016) presented, or (2) retrospectively with the cumulative effect recognized at the date of initial application. NXT is evaluating the effect of the future adoption of this new guidance, and has not yet determined the effect on its consolidated financial statements, which currently reflect the completed contract method of revenue recognition.

Going concern

The FASB has established a going concern standard that becomes effective for reporting periods ending after December 31, 2016 (with early adoption permitted). The Company will be required to assess if there is substantial doubt about its' ability to continue as a going concern, which will exist if it is probable that it will be unable to meet payment of its obligations within one year after the assessment date (which will be based on the date of issue of the period end financial statements). Disclosure will be required of the significance of and the conditions or events that give rise to the substantial doubt, as well as whether it is probable that managements' plans can be effectively implemented to mitigate these conditions.

Further disclosure, including managements mitigation plans, will be required if it is assessed that the substantial doubt cannot be overcome. The Company has not yet adopted the new standard and will be assessing the required disclosures based on its analysis of the going concern assumption in the future period of adoption.

Risk Factors

NXT is exposed to numerous business related risks, some of which are unique to the nature of its operations. Many of these risks can not be readily controlled.

Future Operations

NXT is still in the early stages of realizing wide-spread commercialization of its SFD® technology. Its ability to generate cash flow from operations will depend on its ability to service its existing clients and develop new clients for its SFD® services. Management recognizes that the commercialization phase can last for several years, and that it can have significant economic dependence on a small number of clients, which can have a material effect on the Company's operating results and financial position.

NXT anticipates that it will be able to generate both net income and cash from operations in future years based on its current business model; however this outcome cannot be predicted with certainty. The Company has a history of generating net losses and periodic shortages of working capital. The Company's consolidated financial statements do not include any adjustments to amounts and classifications of assets and liabilities that might be necessary should NXT be unable to generate sufficient revenues, net income and cash flow from operations in future years in order to continue as a going concern.

International operations

NXT conducts the majority of its operations in foreign countries, some of which it has not operated in before. This exposes NXT to various risks related to stability of political regimes, knowledge of the local customs, duties and other taxes, the ability to access the relevant local services, and potential delays in commencing the projects.

Availability of charter aircraft

NXT does not currently own any aircraft, and relies upon the availability of aircraft which are operated under charter-hire arrangements. A charter operator provides the aircraft used in SFD® survey operations on an as required basis in exchange for an hourly charter fee (plus fuel and other direct operating costs). NXT is not required to make a capital investment in chartered aircraft, but in order to guarantee aircraft availability and rate certainty, it currently commits to a one year contract, with a minimum number of charter hours. NXT is thus exposed to a potential financial penalty of up to $641,250 (including $303,750 carried forward from 2014 and to be utilized by September 30, 2015) in the event that it fails to fulfill or renegotiate the remaining total charter hours commitment for 2015.

Management and staff

NXT's success is currently largely dependent on the performance of a limited group of senior management and staff. The loss of the services of any of these persons could have an adverse effect on our business and prospects. There is no assurance that NXT can maintain the services of our complement of management, Directors, staff and other qualified personnel that are required to operate and expand our business.

Reliance on specialized equipment, and the protection of intellectual property

NXT currently has a limited number of SFD® survey sensors which are used in survey data acquisition operations. In addition, there is potential risk that the equipment could become damaged or destroyed during operations, become obsolete, or that a third party might claim an interest in our proprietary intellectual property. The costs of legal defence of our rights to the SFD® technology could be very expensive.

Related party transactions

NXT may periodically enter into related party transactions with its Officers and Directors. The most significant related party transaction was the historical "Technology Transfer Agreement" executed on December 31, 2006 between NXT and its CEO, President and Director whereby NXT issued 10,000,000 convertible preferred shares in exchange for the rights to utilize the SFD® technology.

As was noted previously, in January 2014, Rights were personally granted by the CEO to certain individuals to acquire up to 1,000,000 of the common shares that are expected to become issued to him by December 31, 2015 upon future conversion of the outstanding 8,000,000 preferred shares.

All related party transactions have the potential to create conflicts of interest that may undermine the Board of Director's fiduciary responsibility to NXT shareholders. NXT manages this risk of conflict of interest through maintenance of a strong independent Board of Directors. Six of the seven current Directors are independent. All significant transactions between Officers and or Directors of the Company are negotiated on behalf of NXT and voted upon by the disinterested Directors to protect the best interests of all shareholders.

Volatility in oil and natural gas commodity prices may affect demand for our services

NXT's customer base is in the oil and natural gas exploration industry, which is exposed to risks of volatility in oil and natural gas commodity prices. As such, demand for our services, and prospective revenues, may become adversely impacted by ongoing declines in oil and natural gas prices. The impact of price changes on our ability to enter into SFD® survey contracts cannot be readily determined. However, in general, if commodity prices decline significantly, our opportunity to obtain and execute SFD® survey contracts will also likely decline, at least in the short term.

Foreign currency fluctuations

NXT currently bills its revenues in US$, and as such frequently holds cash in both Cdn$ as well as in US$, and is thus exposed to foreign exchange fluctuations on its US$ funds. Additionally, most of our operating expenses are incurred in Cdn$. We do not currently engage in currency hedging activities which can be used to mitigate this risk.

As NXT continues to expand into foreign markets, it may become exposed to additional foreign currency fluctuation risks, and currency hedging strategies will be utilized where appropriate.

Interest rate fluctuations

NXT periodically invests excess cash in short-term investments which generally yield fixed interest rates. Accordingly, NXT faces some risk related to volatility in interest rates, as interest income may be adversely affected by any material changes in interest rates.

Disclosure Controls and Procedures ("DCP") and Internal Controls over Financial Reporting ("ICFR")

NXT's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") (together, the "Responsible Officers") are responsible for establishing and maintaining DCP, or causing them to be designed under their supervision, for NXT to provide reasonable assurance that material information relating to the Company is made known to the Responsible Officers by others within the organization, particularly during the period in which the Company's quarterly and year-end consolidated financial statements and MD&A are being prepared.

DCP and other procedures are designed to ensure that information required to be disclosed in reports that are filed or submitted is recorded, processed, summarized and reported within the time periods specified by the relevant security authority in either Canada or the United States of America. DCP include controls and procedures designed to ensure that information required to be disclosed in our reports is accumulated and communicated to management, including our Responsible Officers, to allow timely decisions regarding required disclosure.

As of December 31, 2014 an evaluation was carried out under the supervision of, and with the participation of management, including the CEO and the CFO, of the effectiveness of the Company's DCP as defined under the rules adopted by the Canadian securities regulatory authorities and by the US SEC. In making this assessment, they used the criteria established in Internal Control – Integrated Framework 1992, issued by the Committee of Sponsoring Organizations of the Treadway Commission

("COSO"). Through this evaluation the CEO and the CFO concluded that there are material weaknesses in the Company's internal controls over financial reporting that have a direct impact on the Company's DCP:

- Due to the limited number of staff, it is not feasible to achieve adequate segregation of incompatible duties. NXT mitigates this deficiency by adding management and Audit Committee review procedures over the areas where inadequate segregation of duties are of the greatest concern, and

- NXT does not have a sufficient level of staff with specialized expertise to adequately conduct separate preparation and a subsequent independent review of certain complex or highly judgmental accounting issues. These complex areas have included accounting for income taxes, stock based compensation expense, and valuation of US$ Warrants. NXT mitigates this deficiency by preparing financial statements with their best judgments and estimates of the complex accounting matters and relies on reviews by management, external consultants and the Audit Committee for quality assurance.

As NXT continues to expand our operations, we seek to reduce these risks by adding additional staff resources and the use of out-sourced consultants as financial resources permit.

Notwithstanding NXT's efforts to mitigate the risks associated with the above mentioned deficiencies, the CEO and CFO concluded that the Company's ICFR are not effective and as a result its DCP are not effective as at December 31, 2014. NXT reached this conclusion based upon their assessment that there is more than a remote likelihood that its ICFR will not prevent or detect material misstatements if they should exist in our consolidated financial statements.

There are inherent limitations on the ability of the Responsible Officers to design and implement DCP and ICFR on a cost effective basis, which may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

During the year ended December 31, 2014, there was no change in the Company's ICFR that has materially affected or is reasonably likely to materially affect our ICFR.

Additional Information

For additional information on NXT Energy Solutions Inc. please consult our website at www.nxtenergy.com, or the SEDAR website at http://www.sedar.com.

NXT ENERGY SOLUTIONS INC.

Consolidated Financial Statements

As at and for the year ended
December 31, 2014

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of NXT Energy Solutions Inc.

We have audited the accompanying consolidated financial statements of NXT Energy Solutions Inc., which comprise the consolidated balance sheets as at December 31, 2014 and 2013 and the consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with US generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of NXT Energy Solutions Inc. as at December 31, 2014 and 2013, and its consolidated results of operations and its consolidated cash flows for each of the years in the three-year period ended December 31, 2014 in accordance with US generally accepted accounting principles.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that NXT Energy Solutions Inc. has accumulated losses and has uncertainty about the timing and magnitude of future revenue. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that casts substantial doubt about the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants

April 23, 2015
Calgary, Canada

NXT ENERGY SOLUTIONS INC.

Consolidated Balance Sheets

(Expressed in Canadian dollars)

	As at December 31	
	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 50,635	$ 3,319,627
Short-term investments	5,173,430	2,449,450
Restricted cash [note 3]	-	53,921
Accounts receivable	248,930	295,879
Work-in-progress	-	299,842
Prepaid expenses and deposits	338,644	158,456
	5,811,639	6,577,175
Long term assets		
Property and equipment [note 4]	237,464	262,818
	$ 6,049,103	$ 6,839,993
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities [note 5]	$ 782,626	$ 939,355
Deferred revenue	-	2,781,101
Fair value of US$ Warrants [note 12]	-	1,238,000
	782,626	4,958,456
Long term liabilities		
Asset retirement obligation [note 6]	50,000	64,560
	832,626	5,023,016
Future operations [note 1]		
Commitments and contingencies [note 15]		
Subsequent events [note 10]		
Shareholders' equity		
Common shares [note 7]: - authorized unlimited		
Issued: 44,958,843 (2013 - 42,418,326) common shares	65,792,307	61,340,321
Preferred shares [note 8]: - authorized unlimited		
Issued: 8,000,000 (2013 - 8,000,000) Preferred shares	232,600	232,600
Contributed capital	6,400,789	5,889,914
Deficit	(67,920,154)	(66,356,793)
Accumulated other comprehensive income	710,935	710,935
	5,216,477	1,816,977
	$ 6,049,103	$ 6,839,993

Signed "George Liszicasz"
Director

Signed "John Agee"
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)

	Year ended December 31		
	2014	2013	2012
Revenue			
Survey revenue [note 16]	$ 3,913,367	$ 2,684,095	$ 10,937,575
Expense			
Survey costs	431,518	1,632,159	3,633,645
General and administrative	4,132,108	4,112,787	4,508,506
Stock based compensation expense [notes 8 and 10]	658,000	492,000	265,000
Amortization of property and equipment	67,162	85,484	125,015
	5,288,788	6,322,430	8,532,166
Other expense (income)			
Interest (income) expense, net	(50,824)	(25,455)	2,744
Foreign exchange (gain) loss	(158,817)	(150,350)	14,686
Increase (decrease) in fair value of US$ Warrants [note 12]	42,800	1,371,500	(168,143)
Other expense	354,781	107,985	66,973
	187,940	1,303,680	(83,740)
Income (loss) before income taxes	(1,563,361)	(4,942,015)	2,489,149
Income tax expense [note 13]	-	399,546	426,421
Income (loss) and comprehensive income (loss)	$ (1,563,361)	$ (5,341,561)	$ 2,062,728
Income (loss) per share [note 9]			
Basic	$ (0.04)	$ (0.13)	$ 0.05
Diluted	$ (0.04)	$ (0.13)	$ 0.04

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

NXT ENERGY SOLUTIONS INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31		
	2014	2013	2012
Cash provided by (used in):			
Operating activities			
Comprehensive income (loss) for the year	$ (1,563,361)	$ (5,341,561)	$ 2,062,728
Items not affecting cash:			
Stock-based compensation expense	658,000	492,000	265,000
Amortization of property and equipment	67,162	85,484	125,015
Increase (decrease) in fair value of US$ Warrants	42,800	1,371,500	(168,143)
Non-cash changes to asset retirement obligation	(12,449)	3,960	3,860
Asset retirement obligations paid	(2,111)	(1,213)	-
	753,402	1,951,731	225,732
	(809,959)	(3,389,830)	2,288,460
Change in non-cash working capital balances [note 14]	(2,771,227)	2,614,872	(1,495,468)
Net cash (used in) operating activities	(3,581,186)	(774,958)	792,992
Financing activities			
Proceeds from exercise of US$ Warrants [note 11]	2,735,995	1,064,222	-
Proceeds from exercise of common share purchase warrants	-	-	278,760
Proceeds from exercise of stock options	288,066	13,234	47,250
Issue of common shares and warrants, net of issue costs	-	-	2,886,024
Repayment of capital lease obligation	-	-	(8,591)
Net cash generated by financing activities	3,024,061	1,077,456	3,203,443
Investing activities			
Purchase of property and equipment	(41,808)	(20,463)	(48,553)
Increase in short-term investments	(2,723,980)	(2,394,450)	(45,000)
Decrease (increase) in restricted cash	53,921	379,448	(359,234)
Net cash (used in) investing activities	(2,711,867)	(2,035,465)	(452,787)
Net source (use) of cash	(3,268,992)	(1,732,967)	3,543,648
Cash and cash equivalents, beginning of the year	3,319,627	5,052,594	1,508,946
Cash and cash equivalents, end of the year	$ 50,635	$ 3,319,627	$ 5,052,594
Supplemental information			
Cash interest paid (received), net	(56,401)	(14,518)	2,744
Cash taxes paid	$ -	$ 399,546	$ 426,421

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)

	Year ended December 31		
	2014	2013	2012
Common Shares			
Balance at beginning of the year	61,340,321	56,623,686	53,756,687
Issued through private placement financings, net of issue costs [note 7]	-	-	2,886,024
Value attributed to US$ Warrants issued in private placement financings [notes 7 and 12]	-	-	(409,143)
Issued upon exercise of US$ Warrants [note 11]	2,735,995	1,064,222	-
Issued upon exercise of common share purchase warrants	-	-	278,760
Issued upon exercise of stock options	288,066	13,234	47,250
Transfer from contributed capital upon exercise of stock options	147,125	8,279	18,375
Transfer from contributed capital upon exercise of common share purchase warrants	-	-	45,733
Transfer from fair value of US$ Warrants upon exercise of US$ Warrants [note 12]	1,280,800	374,500	-
Issued on conversion of preferred shares [notes 7 and 8]	-	3,256,400	-
Balance at end of the year	65,792,307	61,340,321	56,623,686
Preferred Shares			
Balance at beginning of the year	232,600	3,489,000	3,489,000
Conversion of preferred shares to common shares [notes 7 and 8]	-	(3,256,400)	-
Balance at end of the year	232,600	232,600	3,489,000
Contributed Capital			
Balance at beginning of the year	5,889,914	5,406,193	5,205,301
Recognition of stock based compensation expense	658,000	492,000	265,000
Contributed capital transferred to common shares pursuant to exercise of stock options and common share purchase warrants	(147,125)	(8,279)	(64,108)
Balance at end of the year	6,400,789	5,889,914	5,406,193
Deficit			
Balance at beginning of the year	(66,356,793)	(61,015,232)	(63,077,960)
Net income (loss) and comprehensive income (loss) for the year	(1,563,361)	(5,341,561)	2,062,728
Balance at end of the year	(67,920,154)	(66,356,793)	(61,015,232)
Accumulated Other Comprehensive Income			
Balance at beginning and end of the year	710,935	710,935	710,935
Total Shareholders' Equity at end of the year	$ 5,216,477	$ 1,816,977	$ 5,214,582

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

1. Future Operations

NXT Energy Solutions Inc. (the "Company" or "NXT") is a publicly traded company based in Calgary, Canada.

NXT's proprietary Stress Field Detection ("SFD®") technology is an airborne survey system that is used in the oil and natural gas industry to help aid in identifying areas with hydrocarbon reservoir potential. Specific rights to this technology were acquired from NXT's current Chief Executive Officer and President (the "CEO") under a Technology Transfer Agreement (the "TTA") which has a term to December 31, 2015 (the "Maturity Date"). The TTA requires the completion of various conditions, including conversion by NXT of the remaining 8,000,000 convertible preferred shares issued (see note 8), in order to retain the SFD® technology, which NXT intends to finalize before the Maturity Date.

Prior to 2006 the Company had engaged in extensive activities to develop, validate and obtain industry acceptance of SFD®, including conducting SFD® surveys for oil and gas industry partners on a cost recovery basis and participating as a joint venture partner in SFD® identified exploration wells. By December 31, 2005 the Company had accumulated a deficit of approximately $47.6 million in conducting these activities.

In 2006 SFD® survey services began to be offered to clients engaged in oil and gas exploration activities with an initial focus on companies operating in western Canada. Subsequently, in 2008, NXT commenced to focus its sales activities towards international and frontier exploration markets.

The generation of positive cash flow from operations will depend largely on NXT's ability to demonstrate the value of the SFD® survey system to a much wider client base. NXT recognizes that its' financial position is currently dependent upon a limited number of client projects, on obtaining additional financing when needed, and attracting future clients.

These consolidated financial statements have been prepared on a "going concern" basis in accordance with generally accepted accounting principles of the United States of America ("US GAAP"). The going concern basis of presentation assumes that NXT will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is substantial doubt about the appropriateness of the use of the going concern assumption, primarily due to current uncertainty about the timing and magnitude of potential future revenues. NXT recognizes that ongoing use of the going concern assumption will depend on its ability to support operations for the foreseeable future beyond the next 12 months based on generating sufficient new revenue sources or securing additional financing if required.

NXT continues to work to expand its client base in order to generate revenues, positive net income and cash flow from operations in future years with its existing business model. However, the occurrence and timing of this outcome cannot be predicted with certainty.

These consolidated financial statements do not include any adjustments to amounts and classifications of assets and liabilities or reported expenses that would be necessary should NXT be unable to raise additional capital or generate sufficient net income and cash flow from operations as required in future years in order to continue as a going concern.

2. Significant Accounting Policies

Basis of presentation

These consolidated financial statements as at and for the year ended December 31, 2014 have been prepared by management in accordance with US GAAP and by applying the same accounting policies and methods as used in preparing the consolidated financial statements as at and for the years ended December 31, 2013 and 2012.

Consolidation

These consolidated financial statements reflect the accounts of the Company and its wholly owned subsidiaries. All significant inter-company balances and transactions among NXT and its subsidiaries have been eliminated and are therefore not reflected in these consolidated financial statements.

Estimates and Assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, including the disclosure of contingent assets and liabilities, at the date of these consolidated financial statements as well as revenues and expenses recorded during the reporting periods.

Estimates made relate primarily to measurement of stock-based compensation expense, valuation of the US$ Warrants, valuation of deferred income tax assets, and estimates for asset retirement obligations. The estimates and assumptions used are based upon management's best estimate. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period when determined. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short term securities with an original maturity less than 90 days from the date of acquisition.

Short Term Investments

Short term investments are recorded at fair value, and include short term securities, held by a major Canadian chartered bank, with original maturity dates greater than 90 days but less than one year.

Revenue Recognition

Revenue from SFD® survey contracts (net of any related foreign sales tax) is recognized on a completed contract basis. Amounts received or invoiced in advance of completion of the contract are reflected as deferred revenue and classified as a current liability. All related survey expenditures and obligations related to uncompleted contracts are reflected as work-in-progress and classified as current assets. Upon completion of the related contract, unearned revenue and the related work-in-progress are reflected in the statement of income (loss) as either revenue or survey cost. Sales commissions incurred on the contracts are included in survey costs. Survey costs do not include any amortization or depreciation of property and equipment or staff and related overhead costs included in general and administrative expense.

Fair Value of Derivative Instruments

Derivative instruments are recognized on the balance sheet at fair value with any realized and unrealized gains (losses) recognized included in the determination of net income (loss) for the period. NXT does not apply hedge accounting to any of its derivatives. Any outstanding derivatives are classified into one of three categories based on a three level fair value hierarchy as noted below.

In Level I, the fair value of assets and liabilities is determined by reference to quoted prices in active markets for identical assets and liabilities that the Company has the ability to assess at the measurement date.

In Level II, determination of the fair value of assets and liabilities is based on the extrapolation of inputs, other than quoted prices included within Level I, for which all significant inputs are observable directly or indirectly. Such inputs include published exchange rates, interest rates, yield curves, and stock quotes from external data service providers. Transfers between Level I and Level II would occur when there is a change in market circumstances.

In Level III, the fair value of assets and liabilities measured on a recurring basis is determined using a market approach based on inputs that are unobservable and significant to the overall fair value measurement. Assets and liabilities measured at fair value can fluctuate between Level II and Level III depending on the proportion of the value of the contract that extends beyond the time frame for which inputs are considered to be observable. As contracts near maturity and observable market data becomes available, the contracts are transferred out of Level III and into Level II.

Property and Equipment

Property and equipment is recorded at cost, less accumulated depreciation and amortization, which is recorded over the estimated service lives of the assets using the following annual rates and methods:

Computer hardware (including survey equipment)	30% declining balance
Computer software	100% declining balance
Furniture and other equipment	20% declining balance
Leasehold improvements	over the remaining term of the lease

Management periodically reviews the carrying values of property and equipment to ensure that any impairment in value is recognized and reflected in results of operations.

Research and Development Expenditures

Research and development ("R&D") expenditures incurred to develop, improve and test the SFD® survey system and related components are expensed as incurred. Any intellectual property that is acquired for the purpose of enhancing research and development projects, if there is no alternative use for the intellectual property, is expensed in the period acquired. No significant external R&D was incurred in the years ended 2012, 2013 and 2014.

Foreign Currency Translation

The Company's functional currency is the Canadian dollar. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average exchange rate for the applicable period. Shareholders' equity accounts are translated into Canadian dollars using the exchange rates in effect at the time of the transaction. Monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the end of the applicable period. Non-monetary assets and liabilities (including work-in-progress and deferred revenue balances) are recorded at the relevant exchange rates for the period in which the balances arose. Any related foreign exchange gains and losses resulting from these translations are included in the determination of net income (loss) for the period.

Prior to 2010, NXT had active subsidiaries which had the US dollar as their functional currency. Foreign currency translation adjustments related to the consolidation of these subsidiaries is the only component of accumulated other comprehensive income, which is included in shareholders' equity.

Income Taxes

NXT follows the asset and liability method of accounting for income taxes. This method recognizes deferred income tax assets and liabilities based on temporary differences in reported amounts for financial statement and income tax purposes, at the income tax rates expected to apply in the future periods when the temporary differences are expected to be reversed or realized. The effect of a change in income tax rates on deferred income tax assets and deferred income tax liabilities is recognized in income in the period when the tax rate change is enacted. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount that is more likely than not to be realized.

Stock based compensation expense

NXT follows the fair value method of accounting for stock options that are granted to acquire common shares under NXT's stock option plan. Under this method, an estimate of the fair value of the cost of stock options that are granted to employees, directors and consultants is calculated using the Black-Scholes option pricing model and charged to income over the future vesting period of the stock options, with a corresponding increase recorded in contributed capital. Upon exercise of the stock options, the consideration received by NXT, and the related amount which was previously recorded in contributed capital, is recognized as an increase in the recorded value of the common shares of the Company.

Stock-based compensation expense related to stock options granted to non-employees is periodically re-measured until the earlier of the completion of their service period or when the vesting period is completed. Changes to the re-measured compensation are recognized in the period of change and amortized over the remaining life of the vesting period in the same manner as the original stock option.

Income (loss) per share

Basic income (loss) per share amounts are calculated by dividing net income (loss) by the weighted average number of common shares that are outstanding for the fiscal period. Shares issued during the period are weighted for the portion of the period that the shares were outstanding. Diluted income (loss) per share are computed using the treasury stock method, whereby the weighted average number of shares outstanding is increased to include any additional shares that would be issued from the assumed exercise of stock options and common share purchase warrants. The incremental number of shares added under the treasury stock method assumes that outstanding stock options and warrants that are exercisable at exercise prices below the Company's average market price (i.e. they were "in-the-money") for the applicable fiscal period are exercised and then that number of incremental shares is reduced by the number of shares that could have been repurchased by the Company from the issuance proceeds, using the average market price of the Company's shares for the applicable fiscal period.

No addition to the basic number of shares is made when calculating the diluted number of shares if the diluted per share amounts become anti-dilutive (such as occurs in the case where there is a net loss for the period).

Future Accounting Policy Changes

Revenue recognition:

In May 2014, the US Financial Accounting Standards Board ("FASB") issued new guidance on accounting for "Revenue from Contracts with Customers", which supersedes the current revenue recognition requirements and most industry-specific guidance. This new guidance will require that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

This new guidance will be effective from January 1, 2017, and early application is not permitted. There will be two methods in which the amendment can be applied: (1) retrospectively to each prior reporting period (which will include NXT's fiscal years 2015 and 2016) presented, or (2) retrospectively with the cumulative effect recognized at the date of initial application. NXT is evaluating the impact of the adoption of this new guidance and has not yet determined the effect on its consolidated financial statements, which currently reflect the completed contract method of revenue recognition.

(Expressed in Canadian dollars unless otherwise stated)

Going concern:

The FASB has established a going concern standard that becomes effective for reporting periods ending after December 31, 2016 (with early adoption permitted). The Company will be required to assess if there is substantial doubt about its' ability to continue as a going concern, which will exist if it is probable that it will be unable to meet payment of its obligations within one year after the assessment date (which will be based on the date of issue of the period end financial statements). Disclosure will be required of the significance of and the conditions or events that give rise to the substantial doubt, as well as whether it is probable that managements' plans can be effectively implemented to mitigate these conditions.

Further disclosure, including managements mitigation plans, will be required if it is assessed that the substantial doubt cannot be overcome. The Company has not yet adopted the new standard and will be assessing the required disclosures based on its analysis of the going concern assumption in the future period of adoption.

3. Restricted cash

Restricted cash consisted of US dollar money market securities which are periodically deposited by NXT with financial institutions as security in order for these institutions to issue bank letters of credit for the benefit of NXT's clients. These letters of credit are related to contractual performance requirements on certain SFD® survey contracts.

4. Property and equipment

	2014	2013
Survey equipment	$ 643,319	$ 626,286
Furniture and other equipment	528,420	528,420
Computers and software	1,100,593	1,097,560
Leasehold improvements	403,898	382,157
	2,676,230	2,634,423
Accumulated amortization and impairment	(2,438,766)	(2,371,605)
	237,464	262,818

5. Accounts payable and accrued liabilities

	2014	2013
Accrued liabilities related to:		
Consultants and professional fees	$ 122,500	$ 105,000
Board of Directors' fees	40,000	-
Survey and other projects	14,308	-
Vacation pay, wages and bonuses payable	121,632	115,831
	298,440	220,831
Trade payables, payroll withholdings and other	484,186	718,524
	782,626	939,355

(Expressed in Canadian dollars unless otherwise stated)

6. Asset retirement obligation

Asset retirement obligations ("ARO") relate to minor interests in oil and natural gas wells in which NXT has outstanding abandonment and reclamation obligations in accordance with government regulations. The Company's obligation relates to its interests in 6 gross (1.2 net) wells. ARO have an estimated future liability of approximately $58,000 which is based on estimates of the future timing and costs to abandon, remediate and reclaim the wellsites within the next three years. The net present value of the ARO is as noted below, and has been calculated using an inflation rate of 3.4% and discounted using a credit-adjusted risk-free interest rate of 10%.

	2014	2013	2012
ARO balance, beginning of the year	$ 64,560	$ 61,813	$ 57,953
Accretion expense	800	3,960	3,860
Costs incurred	(2,111)	(1,213)	-
Change in ARO estimates	(13,249)	-	-
ARO balance, end of the year	50,000	64,560	61,813

7. Common shares

The Company is authorized to issue an unlimited number of common shares, of which the following are issued and outstanding:

	# of shares	$ value
As at December 31, 2011	34,757,396	$ 53,756,687
Transactions during the year ended December 31, 2012:		
Issued through private placement financing, net of issue costs (iii)	4,258,005	2,886,024
Value attributed to US$ Warrants issued in the private placement financing (iii)	-	(409,143)
Issued on exercise of stock options	75,000	47,250
Issued on exercise of warrants (ii)	464,558	278,760
Transfer from contributed capital upon exercise of:		
Stock options	-	18,375
Warrants	-	45,733
As at December 31, 2012	39,554,959	56,623,686
Transactions during the year ended December 31, 2013:		
Conversion of Preferred Shares (i)	2,000,000	3,256,400
Issued on exercise of stock options	16,667	13,234
Issued on exercise of US$ Warrants (note 11)	846,700	1,064,222
Transfer from contributed capital upon exercise of stock options	-	8,279
Transfer from fair value of US$ Warrants upon exercise (note 12)	-	374,500
As at December 31, 2013	42,418,326	61,340,321
Transactions during the year ended December 31, 2014:		
Issued on exercise of stock options	482,665	288,066
Issued on exercise of US$ Warrants (note 11)	2,057,852	2,735,995
Transfer from contributed capital upon exercise of stock options	-	147,125
Transfer from fair value of US$ Warrants upon exercise (note 12)	-	1,280,800
As at December 31, 2014	44,958,843	65,792,307

(i) NXT also has outstanding a total of 8,000,000 Preferred Shares (see note 8) which are convertible on a 1 for 1 basis into an additional maximum of 8,000,000 common shares by December 31, 2015. An initial total of 2,000,000 of these Preferred Shares were converted into 2,000,000 common shares of the Company effective May 22, 2013.

(ii) In February, 2011 NXT closed a non-brokered private placement (the "2011 Placement") for aggregate proceeds of $1,600,300 ($1,487,827 net of finder's fee and other costs incurred totalling $112,473). NXT issued a total of 3,200,600 units at a price of $0.50 per unit, each unit consisted of one NXT common share and one warrant, and each warrant entitled the holder to acquire an additional common share at a price of $0.60 per share until expiry on February 16, 2012.

Finder's fees incurred included $72,600 cash and 145,320 warrants issued. A continuity of the total warrants issued is as follows:

	# of warrants	exercise proceeds received
Issued in the 2011 Placement	3,345,920	$ -
Exercised in 2011	(700,000)	420,000
Outstanding as at December 31, 2011	2,645,920	420,000
Exercised in 2012	(464,558)	278,760
Expired on February 16, 2012	(2,181,362)	-
	-	698,760

In March and May 2012, NXT conducted private placement financings (the "2012 Financings") which consisted of units issued at a price of US $0.75 (the "Units"). Each Unit consisted of one NXT common share and one warrant (the "US$ Warrants") to purchase an additional NXT common share at a price of US $1.20 for a term of two years from the date of issue.

In connection with the 2012 Financings, NXT paid finder's fees totalling US $183,612 and issued a total of 244,816 finder's warrants (with the same terms as the US$ Warrants noted above). The 2012 Financings had three separate closings in March, 2012 and one on May 4, 2012, which are summarized as follows:

	March, 2012	May 4, 2012	2012 total
Proceeds (in US dollars)	2,216,005	977,500	3,193,505
Proceeds (in Cdn $)	2,210,690	972,442	3,183,132
Less share issue costs incurred	(187,844)	(109,264)	(297,108)
Proceeds, net of issue costs	2,022,846	863,178	2,886,024
Number of common shares issued	2,954,672	1,303,333	4,258,005
Number of US$ Warrants issued	2,954,672	1,303,333	4,258,005
Number of finder's warrants issued	162,416	82,400	244,816
	3,117,088	1,385,733	4,502,821
Fair value attributed to US$ Warrants	249,143	160,000	409,143

Two Officers of the Company subscribed for a total of US $40,000 of the 2012 Financings.

The common shares issued under the 2012 Financings were recorded at a value equal to the net proceeds received of $2,886,024, and reduced by $409,143 (see note 12) which was the estimated fair value attributed to the 4,502,821 US$ Warrants (see also note 11) issued.

8. Preferred shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series.

In 2005, the Company issued 10,000,000 series 1 preferred shares (the "Preferred Shares") to its CEO pursuant to the execution of the Technology Transfer Agreement (see note 1) in exchange for the rights to utilize the SFD® technology for hydrocarbon exploration.

The Preferred Shares do not participate in any dividends, and are not transferable except with the consent of the Board of Directors of NXT.

The number of Preferred Shares outstanding is as follows:

	# of shares	$ value
As at December 31, 2011 and 2012	10,000,000	$ 3,489,000
Conversion of Preferred Shares in May 2013	(2,000,000)	(3,256,400)
As at December 31, 2013 and 2014	8,000,000	232,600

These Preferred Shares are non-voting, and are convertible into up to 8,000,000 NXT common shares (on a 1 for 1 basis) under the following terms:

- 2,000,000 of the Preferred Shares became convertible into common shares upon issue. Effective May 22, 2013, these 2,000,000 Preferred Shares were converted into 2,000,000 common shares.
- the remaining 8,000,000 Preferred Shares are subject to conditions related to potential future conversion. They may become convertible into common shares in four separate increments of 2,000,000 Preferred Shares each, should NXT achieve specified cumulative revenue thresholds of US $50 million, US $100 million, US $250 million and US $500 million prior to the December 31, 2015 Maturity Date.
- an additional bonus of 1,000,000 common shares are issuable in the event that cumulative revenues exceed US $500 million.
- if the final US $500 million cumulative revenue threshold is not achieved by the Maturity Date, NXT can elect to retain ownership of the SFD® technology by converting all of the remaining Preferred Shares into common shares, which it intends to do in 2015 prior to the Maturity Date.
- cumulative revenue is defined as the sum of total revenue earned plus proceeds from the sale of assets accumulated since January 1, 2007, all denominated in US$, and calculated in accordance with generally accepted accounting principles.
- in the event of a change of control or other transaction involving a re-arrangement of the business of NXT prior to the Maturity Date, the number of outstanding Preferred Shares which can be converted will be dependent on the transaction value payable ("TVP") per outstanding NXT common share as follows:

(Expressed in Canadian dollars unless otherwise stated)

20% if TVP is less than $5 per common share
60% if TVP is between $5 and $10 per common share
100% if TVP exceeds $10 per common share

As at December 31, 2014, the Company had generated cumulative revenue of approximately US $29.5 million (December 31, 2013 - US $25.8 million) that is eligible to be applied to the above noted conversion thresholds.

The Preferred Shares were originally recorded at their estimated fair value as at December 31, 2005, with the total substantially assigned to the 2,000,000 Preferred Shares portion which was immediately convertible. The remaining Preferred Shares were assigned a nominal value in 2005, reflecting the uncertainty that the required revenue objectives would be achieved to allow conversion into common shares, as follows:

	# of Preferred Shares	$ value
convertible upon issue effective December 31, 2005	2,000,000	$ 3,256,400
conditionally convertible on or before December 31, 2015	8,000,000	232,600
	10,000,000	3,489,000

Rights related to Preferred Shares

In January 2014, NXT's CEO (the "Grantor") personally granted (to a total of 17 persons, including NXT employees, directors, officers, advisors and others) "Rights" to acquire a total of 1,000,000 of the common shares which are expected to become issued to him upon future conversion of the Preferred Shares by their Maturity Date. Each of the Rights are subject to certain vesting provisions and will entitle the holder to acquire from the Grantor one common share of NXT at a fixed exercise price of $1.77 and will expire on December 31, 2015.

A total of 795,000 of these Rights were granted to certain of NXT's current directors, officers, employees and advisors, and are supplemental to existing incentives which have been granted under NXT's stock option plan (see note 10). The grant date fair value of these 795,000 Rights was estimated as $483,000 (which will be recognized over the remaining term to expiry of the Rights in 2015) calculated using the Black-Scholes valuation model, based on the following assumptions:

Expected dividends paid per common share	Nil
Expected life in years	1.9
Expected volatility in the price of common shares	62 %
Risk free interest rate	1.0 %
Weighted average fair value per Right at grant date	$ 0.60

In connection with the Rights, NXT recognized $226,000 as a component of stock based compensation expense for the year ended December 31, 2014 (see note 10).

(Expressed in Canadian dollars unless otherwise stated)

9. Income (loss) per share

	2014	2013	2012
Comprehensive income (loss) for the year	$ (1,563,361)	$ (5,341,561)	$ 2,062,728
Weighted average number of shares outstanding:			
Common shares issued	44,375,540	40,882,108	38,453,392
Convertible Preferred Shares (i)	-	778,082	2,000,000
Basic	44,375,540	41,660,190	40,453,392
Additional shares related to assumed exercise of stock options and US$ Warrants under the treasury stock method (ii)	-	-	337,070
Contingently issuable Preferred Shares (ii)	-	-	8,000,000
Fully diluted	44,375,540	41,660,190	48,790,462
Net loss per share – Basic	$ (0.04)	$ (0.13)	$ 0.05
Net loss per share – Fully diluted	$ (0.04)	$ (0.13)	$ 0.04

(i) A total of 2,000,000 of the Preferred Shares (see note 8) are included in the above noted basic income (loss) per share calculation for the years ended December 31, 2012 and 2013, as the criteria for them to convert to common shares had been met up to their formal conversion in May 2013. The remaining 8,000,000 Preferred Shares are contingently issuable, and are included in the diluted number of shares outstanding if applicable.

(ii) In periods in which a loss results, all outstanding stock options, common share purchase Warrants and the 8,000,000 Preferred Shares are excluded from the fully diluted loss per share calculations as their effect is anti-dilutive.

10. Stock options

The following is a summary of stock options which are outstanding as at December 31, 2014:

Exercise price per share	# of options outstanding	# of options exercisable	average remaining contractual life (in years)
$ 0.45	74,600	74,600	0.8
$ 0.75	355,000	236,664	2.5
$ 0.76	303,335	131,110	3.1
$ 0.86	707,500	454,163	2.6
$ 1.16	411,000	411,000	1.6
$ 1.20	300,000	300,000	2.6
$ 1.35	55,000	55,000	5.0
$ 1.39	55,000	55,000	4.5
$ 1.55	40,000	-	4.2
$ 1.61	25,000	-	4.1
$ 1.67	150,000	-	4.9
$ 1.83	65,000	65,000	4.0
$ 1.02	2,541,435	1,782,537	2.7

(Expressed in Canadian dollars unless otherwise stated)

A continuity of the number of stock options which are outstanding at December 31, 2014 and 2013 is as follows:

	For the year ended December 31, 2014		For the year ended December 31, 2013	
	# of stock options	weighted average exercise price	# of stock options	weighted average exercise price
Options outstanding, start of the year	2,888,100	$ 0.88	2,890,600	$ 0.86
Granted	325,000	$ 1.55	542,500	$ 0.91
Exercised	(482,665)	$ 0.60	(16,667)	$ 0.79
Forfeited	(35,000)	$ 1.42	(423,333)	$ 0.79
Expired	(154,000)	$ 0.71	(105,000)	$ 0.75
Options outstanding, end of the year	2,541,435	$ 1.02	2,888,100	$ 0.88
Options exercisable, end of the year	1,782,537	$ 1.01	1,733,930	$ 0.90

Subsequent to December 31, 2014, the Company issued a total of 601,066 additional stock options with an average exercise price of $1.37 per share and a 5 year term to expiry in 2020.

Stock options granted generally expire, if unexercised, five years from the date granted and entitlement to exercise them generally vests at a rate of one-third at the end of each of the first three years following the date of grant.

Stock based compensation expense ("SBCE") is calculated based on the fair value attributed to grants of stock options using the Black-Scholes valuation model and utilizing the following weighted average assumptions:

	2014	2013	2012
Expected dividends paid per common share	Nil	Nil	Nil
Expected life in years	5.0	5.0	4.0
Expected volatility in the price of common shares	113 %	74 %	79 %
Risk free interest rate	1.5 %	1.0 %	1.0 %
Weighted average fair market value per share at grant date	$ 1.24	$ 0.55	$ 0.52
Intrinsic (or "in-the-money") value per share of options exercised	$ 0.85	$ 0.76	$ 0.13

SBCE consists of the following amounts:

	2014	2013	2012
SBCE recognized related to:			
Stock options	$ 432,000	$ 492,000	$ 265,000
Preferred Share Rights (see note 8)	226,000	-	-
Total SBCE	658,000	492,000	265,000

The unamortized portion of SBCE related to the non-vested portion of stock options and the Preferred Share Rights, all of which will be recognized in future expense over the related remaining (2015 to 2017) vesting periods, is as follows:

As at December 31	2014	2013
Unamortized SBCE related to:		
Stock options	$ 367,000	$ 475,000
Preferred Share Rights (see note 8)	234,000	-
	601,000	475,000

11. US$ Warrants to purchase common shares

The following is a continuity of the US$ Warrants issued in the 2012 Financings (see note 7 (iii)) and which had an exercise price of US $1.20 per common share and expiry in 2014:

	# of US$ Warrants	exercise proceeds received
Outstanding as at January 1, 2012		
Issued in the 2012 Financings	4,502,821	-
US$ Warrants exercised in 2013	(846,700)	$ 1,064,222
Outstanding as at December 31, 2013	3,656,121	1,064,222
Activity in 2014:		
US$ Warrants exercised in 2014	(2,057,852)	2,735,995
US$ Warrants expired in 2014	(1,598,269)	-
Outstanding as at December 31, 2014	-	$ 3,800,217

12. Financial instruments

1) Non-derivative financial instruments:

The Company's non-derivative financial instruments consist of cash and cash equivalents, short-term investments, restricted cash, accounts receivable, and accounts payables and accrued liabilities. The carrying value of these financial instruments approximates their fair values due to their short terms to maturity. NXT is not exposed to significant interest or credit risks arising from these financial instruments. NXT is exposed to foreign exchange risk as a result of holding US and Colombian denominated financial instruments.

2) Derivative financial instruments:

As at December 31, 2014, no US$ Warrants remain outstanding. As the exercise price of the US$ Warrants that were issued in 2012 (see note 11) was in US dollars, which is a currency other than the functional currency of NXT, the US$ Warrants were considered to have an embedded derivative and were required to be recorded at fair value each reporting period. The amount recorded for this instrument, which was included with current liabilities, was adjusted to fair value at each period end over the life of the US$ Warrants, with the changes in fair value reflected in earnings.

Financial instruments that are recorded at fair value on a recurring basis are required to be classified into one of three categories based upon a fair value hierarchy. The Company's only financial instruments recorded at fair value on a recurring basis were the US$ Warrants. NXT classified these derivative financial instruments as level III where the fair value is determined by using valuation techniques that refer to both observable and unobservable market data. The valuation model was based on the Black-

(Expressed in Canadian dollars unless otherwise stated)

Scholes inputs noted below, as well as a discount to reflect the potential dilution impact upon exercise of the US$ Warrants and NXT's low stock market liquidity.

A continuity of the fair value of the US$ Warrants that were issued in the 2012 Financings is as follows:

Year ended December 31	2014	2013	2012
Fair value of US$ Warrants			
Balance at beginning of the year	$ 1,238,000	$ 241,000	$ -
Value attributed to US$ Warrants issued in the 2012 Financings (see note 7 (iii))	-	-	409,143
Transfer to common shares upon exercise of US$ Warrants in the year	(1,280,800)	(374,500)	-
Increase (decrease) in fair value during the year	42,800	1,371,500	(168,143)
Fair value of US$ Warrants, end of the year	-	1,238,000	241,000

The outstanding US$ Warrants were re-valued at each period end using the Black-Scholes valuation model utilizing the following weighted average assumptions:

As at December 31	2014	2013	2012
Expected dividends paid per common share	n/a	Nil	Nil
Expected life in years	n/a	0.3	1.0
Expected volatility in the price of common shares	n/a	65 %	80 %
Risk free interest rate	n/a	1.0 %	1.2 %
Weighted average fair market value per US$ Warrant issued during the year	n/a	n/a	US $0.08

13. Income tax expense

NXT periodically earns revenues while operating outside of Canada as a non-resident within certain foreign jurisdictions. Payments made to NXT for services rendered to clients in such countries may be subject to foreign withholding taxes, which are only recoverable in certain circumstances. For the year ended December 31, 2014, NXT recorded foreign withholding taxes of $nil (2013 - $399,546 and 2012 - $426,421) on a portion of its revenues that were generated on international projects. Although such foreign taxes incurred can potentially be utilized in Canada as a foreign tax credit against future taxable earnings from the foreign jurisdictions, a full valuation allowance has been provided against this benefit.

Income tax expense is different from the expected amount that would be computed by applying the statutory Canadian federal and provincial income tax rates to NXT's income (loss) before income taxes as follows:

(Expressed in Canadian dollars unless otherwise stated)

	2014	2013	2012
Net income (loss) before income taxes	$ (1,563,361)	$ (4,942,015)	$ 2,489,149
Canadian statutory income tax rate	25.0 %	25.0 %	25.0 %
Income tax (recovery) at statutory income tax rate	(390,840)	(1,235,504)	622,287
Effect of non- deductible expenses and other items:			
Stock-based compensation and other expenses	176,719	157,993	12,149
Revaluation of US$ Warrants	10,700	342,875	-
Foreign exchange adjustment on USA losses	(185,093)	(131,771)	42,389
Other	1,474	(4,428)	(2,148)
	(387,040)	(870,835)	674,677
Change in valuation allowance	387,040	870,835	(674,677)
Income taxes paid in foreign jurisdictions	-	399,546	426,421
Current income tax expense	-	399,546	426,421

The Company has significant unrecorded deferred income tax assets for which a full valuation allowance has been provided due to uncertainty regarding their potential future utilization, as follows:

	2014	2013	2012
Net operating losses carried forward:			
Canada (expiration dates 2015 to 2034)	$ 4,236,318	$ 4,005,683	$ 3,269,542
USA (expiration dates 2020 to 2026)	2,225,150	2,040,056	1,908,285
Timing differences on property & equipment and financing costs	2,106,780	2,135,468	2,132,545
	8,568,247	8,181,207	7,310,372
Less valuation allowance	(8,568,247)	(8,181,207)	(7,310,372)
	-	-	-

14. Change in non-cash working capital

The changes in non-cash working capital balances are comprised of:

	2014	2013	2012
Accounts receivable	$ 46,949	$ 176,429	$ (350,077)
Work-in-progress	299,842	676,621	135,747
Prepaid expenses and deposits	(180,188)	(17,807)	(97,544)
Accounts payable and accrued liabilities	(156,729)	(684,369)	275,799
Deferred revenue	(2,781,101)	2,463,998	(1,459,393)
	(2,771,227)	2,614,872	(1,495,468)
Portion attributable to:			
Operating activities	(2,771,227)	2,614,872	(1,495,468)
Financing activities	-	-	-
Investing activities	-	-	-
	(2,771,227)	2,614,872	(1,495,468)

(Expressed in Canadian dollars unless otherwise stated)

15. Commitments and contingencies

Office premises lease

NXT has an operating lease commitment on its existing Calgary office space for a term through July 31, 2015 at a minimum monthly lease payment of $26,894 (including estimated operating costs). NXT has also committed to an operating lease on new office premises for a 10 year term commencing in 2015 at an initial estimated minimum monthly lease payment of $42,368 (including operating costs).

The total estimated future minimum annual commitment for these two premises leases is as follows:

Year ending December 31	Existing premises	New premises	Total
2015	$ 188,257	$ 127,103	$ 315,360
2016	-	508,410	508,410
2017	-	508,410	508,410
2018	-	508,410	508,410
2019	-	508,410	508,410
	188,257	2,160,743	2,349,000
Thereafter, 2020 through 2025	-	2,979,848	2,979,848
	188,257	5,140,591	5,328,848

Aircraft charterhire commitment

NXT currently does not own any of the aircraft which are used in its' survey operations, but has an annual agreement to utilize a minimum annual volume of aircraft charter hours (the "Charter Agreement"). The charterhire commitment to be met by the end of 2015, including a short-fall in hours carried forward from 2014, is $641,250.

As part of the 2015 annual renewal of the Charter Agreement, NXT has made a deposit payment of $168,750 in February 2015, and an additional $135,000 is due by June 30, 2015. This total of $303,750 will be held as non-refundable deposits to be applied, as utilized to September 30, 2015, against the charterhire commitment carried forward from 2014.

16. Geographic information

NXT conducts all of its survey operations from its head office in Canada, and until mid 2014 had a one person administrative office in Colombia. NXT has no long term assets outside of Canada. Revenues were derived by geographic area as follows:

	2014	2013	2012
North America (United States)	$ 3,913,367	$ -	$ -
Asia (Pakistan)	-	2,659,292	-
Central America (Mexico, Guatemala, Belize)	-	24,803	6,403,534
South America (Colombia, Argentina)			4,534,041
	3,913,367	2,684,095	10,937,575

The Company's revenues were derived almost entirely from a single client in the 2013 and 2014 periods.

(Expressed in Canadian dollars unless otherwise stated)

17. Other related party transactions

One of the members of NXT's Board of Directors is a partner in a law firm which provides legal advice to NXT. Legal fees (including costs related to share issuance) incurred with this firm were as follows:

	2014	2013	2012
	$ 18,549	$ 39,966	$ 80,550

Accounts payable and accrued liabilities includes a total of $124 ($29,274 as at December 31, 2013) payable to this law firm.

In addition, accounts payable and accrued liabilities includes $23,673 ($31,045 as at December 31, 2013) related to re-imbursement of expenses owing to persons who are Officers of NXT.