

NXT ENERGY SOLUTIONS INC.

**AMENDED AND RESTATED
ANNUAL INFORMATION FORM**

FOR THE YEAR ENDED 31 DECEMBER 2016

18th AUGUST 2017

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FORWARD-LOOKING STATEMENTS

Except for any historical information contained herein, certain statements contained in this Annual Information Form constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities legislation, with respect to our financial condition, results of operations and business. These statements relate to analyses and other information which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “will” and similar terms and phrases, including references to assumptions. These forward-looking statements involve risks and uncertainties, including current trend information, projections for deliveries and other trend projections, that may cause our actual future activities and results of operations to be materially different from those suggested or described in this Annual Information Form.

These risks include:

- our ability to generate sufficient ongoing cash flow from operations or to raise adequate capital to allow us to grow the business and continue operations.
- conducting operations in international markets;
- the availability of suitable aircraft used in conducting our operations;
- the emergence of alternative competitive technologies;
- protection of our intellectual property and rights to our SFD® technology;
- the loss of key personnel;
- our dependence on a limited number of clients;
- foreign currency and interest rate fluctuations may affect our financial position;
- volatility in oil and natural gas commodity prices may reduce demand for our services; and
- other factors described herein under “Risk Factors”

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Given these uncertainties, users of the information included in this Annual Information Form, including investors and prospective investors, are cautioned not to place undue reliance on such forward-looking statements. We do not intend to update the forward-looking statements included in this Annual Information Form.

In this Annual Information Form, except as specified otherwise or unless the context requires otherwise, “we”, “our”, “us”, the “company”, and “NXT” refer to NXT Energy Solutions Inc. and its subsidiaries. All references to “fiscal” in connection with a year shall mean the year ended December 31.

All financial information contained herein is expressed in Canadian dollars (“Cdn\$”) unless otherwise stated.

1. CORPORATE STRUCTURE

1.1 Company Information

NXT Energy Solutions Inc. (the “company”) is a technology company focused on providing a service to oil and natural gas exploration clients using our proprietary Stress Field Detection (“SFD®”) remote sensing airborne survey system. SFD® and NXT® are both registered trademarks of NXT Energy Solutions Inc.

Our registered office is located at 3700, 400 – 3rd Street SW, Calgary, Alberta, Canada and our telephone number is (403) 264-7020. Our head office is located at Suite 302, 3320 17th Ave. SW, Calgary, Alberta Canada.

We are a reporting issuer in Alberta and British Columbia and are principally governed by the Alberta Securities Commission in accordance with the *Securities Act (Alberta)* and the *Business Corporations Act (Alberta)*. We are a foreign private issuer under United States securities laws and are subject to the regulation of the US Securities in accordance with the *Securities Exchange Act of 1934*, as amended (the “Exchange Act”).

1.2 Intercorporate Relationship

The following table provides a list of all subsidiaries and other companies controlled by NXT:

Subsidiaries	Date and Manner of Incorporation	Authorized Share Capital	Issued and Outstanding Shares	Nature of the Business	% of each Class of Shares owned by NXT
NXT Energy USA, Inc.	October 20, 1995 by Articles of Incorporation – State of Nevada, USA	20,000,000 common	5,000,000 common	Inactive	100%
NXT Aero USA, Inc.	August 28, 2000 by Articles of Incorporation – State of Nevada, USA	1,000 common 4,000 preferred	100 common	Inactive	100%
Cascade Petroleum Inc. (Formerly Survey Services International Inc.) ¹	September 6, 2011 by Articles of Incorporation – Province of Alberta	Unlimited number of common shares	100 common	Inactive	100%
NXT Energy Services (SFD) Inc.	December 2008 by Federal Articles of Incorporation – Canada	Unlimited number of common shares	100 common	Inactive	100%
PetroCaza Exploration Inc.	May 2015 by Articles of Incorporation – Province of Alberta	Unlimited number of common and preferred shares	100 common	Inactive	100%

¹ On January 16th, 2017 the name of Survey Services International Inc. was changed to “Cascade Petroleum Inc.”

In February, 2010, NXT registered a wholly owned “Branch” entity with the tax administration and Chamber of Commerce authorities in Colombia, (NXT Energy Solutions Inc. Sucursal Colombia). The formation of this branch became a Colombian legal requirement following the company commencing permanent activity in Colombia in 2010 while conducting commercial survey operations. The process to close this branch commenced in 2016 and it is expected that this exercise will be formally completed in early April 2017.

In addition, in March, 2015, NXT registered NXT Energy Solutions Inc. (Sucursal Bolivia) as a wholly owned “Branch” entity under the laws of the Plurinational State of Bolivia, in order to contract and conduct survey operations in Bolivia.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three Year History

We have an opportunity to provide our services to any region in the world that conducts oil and gas exploration activities. However, we choose to be strategic and focus our limited sales resources in the early stages of commercialization on a limited number of markets.

A summary of revenues derived in our primary geographic market segments for the last 3 fiscal years, and highlights of global survey operations, follows:

Year ended December 31	2016	2015	2014
South and Central America (Bolivia, Belize)	\$1,447,269	\$ 17,422,151	\$ -
North America (United States)	-	-	3,913,367
	1,447,269	17,422,151	3,913,367

North America Market

We began marketing the SFD® survey system in 2006 largely in Canada and continued with this market focus until the end of 2008. Solely in Canada we earned survey revenue of \$1.2 million, \$5.6 million, and \$2.9 million respectively in the prior fiscal years 2006, 2007 and 2008.

In 2011, we completed a US \$150,000 contract to conduct a pilot SFD® survey in Montana, USA for a Calgary-based client.

In 2014, we completed two survey projects in Texas and Florida, USA, for a new client, with a total value of \$3.9 million.

Latin America and Central America Markets

In 2008, exploration activity seriously diminished in Canada as a result of the world-wide credit crisis and falling natural gas commodity prices. In response, in late 2008 we looked to international markets for new revenue opportunities, especially where there were emerging, frontier-type exploration markets. Latin and Central America became a target market for us, with Colombia viewed as an attractive initial proving ground due to its many characteristics desirable for achieving market success for our SFD® survey system.

Colombia’s business-friendly approach and practical resource policies allowed it to attract a large number of exploration and production companies from around the world. In Colombia, there are obstacles to acquire geological and geophysical data as required to properly evaluate unexplored land. Obstacles include rain forests, environmental and community restrictions, security concerns and the high cost and time required to shoot seismic programs, particularly on-shore. SFD® can be a very effective tool to help overcome these obstacles.

Colombia was a primary international market focus in recent years, with NXT gaining valuable experience there. The company earned survey revenue in Colombia of \$2.9 million in 2012, \$0.4 million in 2010, and \$3.7 million in 2009.

Building on our initial Colombia success, we have been pursuing many other South America countries as attractive potential markets. Many of the exploration companies active in Colombia are also active in other areas of South

America, such as Peru, Bolivia, Argentina and Brazil. These countries often share a number of the same community, remote access and environmental issues that make SFD® an attractive solution.

In 2012, SFD® surveys were conducted in several new markets, including Argentina, Guatemala, Belize and most importantly Mexico. Our first contract with the Petroleos Mexicanos (“PEMEX”), the National Oil Company of Mexico) was for US \$4.7 million, which was subsequently expanded before its completion to a total of US \$5.8 million. This was a significant milestone for NXT, as it was our single largest contract to date, and it was able to be delivered in roughly 4 months. Mexico continues to be a primary target market to pursue for new SFD® survey opportunities.

In 2014, we invested significant marketing efforts in seeking to expand into the emerging Bolivia market. We were able to leverage our past experience in Colombia and Mexico, and in 2015, we successfully secured our largest single survey project to date. The contract with Yacimientos Petrolíferos Fiscales Bolivianos (“YPFB”), the National Oil Company of Bolivia, was based on the local Bolivianos currency (which has an ongoing fixed rate to the US \$), and had an equivalent value of US\$13 million (net of local sales taxes included in the contract price).

Our SFD® data acquisition operations commenced in Bolivia in early June 2015, and the data acquisition phase was completed in August, with NXT’s related recommendations reports delivered to YPFB in late October 2015. During the data acquisition phase, YPFB chose to undertake an additional survey “expansion” project valued at approximately US \$1.0 million. The decision for YPFB’s expansion was based on the rapid delivery of preliminary SFD® results, which had excellent correlations noted between anomalies identified by SFD® and the clients’ existing ones identified using seismic methods. A contract amendment was finalized in October, 2015 for this project, the final results for which were delivered by NXT in January, 2016.

NXT also had ongoing discussions concerning potential SFD® survey project opportunities with several of YPFB’s affiliated, subsidiary companies which have exploration acreage in Bolivia. Two entities expressed interest in obtaining SFD® data for certain of their exploration lands in Bolivia: YPFB Chaco and YPFB Andina (which is a partnership with Repsol, a major Spanish oil company). A contract with YPFB Chaco to purchase initial SFD® data (which was acquired in summer 2015) in the amount of US \$0.2 million was completed and delivered by NXT in Q4-15.

While conducting operations in Bolivia in summer 2015, NXT acquired additional proprietary SFD® data flight lines requested by YPFB Andina and minor additional SFD® data for YPFB Chaco. These parties indicated in 2015 that they intend to execute formal contracts to purchase this data, which has a sales value of approximately US \$0.5 million (net).. While this process has advanced in 2016, there is, however, some risk that this process may not result in formal contracts to purchase the SFD® data from NXT.

There were no contracts completed or any other significant developments in 2016.

3. BUSINESS OVERVIEW

3.1 Company’s operations and principal activities

We utilize our proprietary, airborne SFD® survey system to provide a service for the oil and gas exploration industry. NXT provides a rapid and cost-effective method for our clients to evaluate large land areas for their exploration potential.

The underlying technology employed by our SFD® survey system was invented by George Liszicasz, our President and CEO, chairman and largest shareholder. The technology was initially licensed to the company by Mr. Liszicasz until December 31, 2006 through a series of consecutive license agreements. On December 31, 2006 we obtained the rights to the technology from Mr. Liszicasz pursuant to the terms of a Technology Transfer Agreement (“TTA”).

Upon execution of the TTA, Mr. Liszicasz transferred to us all his rights and entitlements to the SFD® technology for use in the field of hydrocarbon exploration.

For further details of the TTA, see “Section 11.1” below.

SFD® technology for the purposes of the TTA is defined as the theories of quantum physics and engineering which are utilized in the operation of stress field detectors used by NXT for the reception, collection and recording of subsurface geological stresses for hydrocarbon exploration.

SFD® sensors remotely respond to gravity perturbations and changes in subsurface stress regimes that are meaningful for oil and gas exploration. These responses are captured as raw data that, when interpreted, can provide an indirect method to detect the presence of geological features such as structures, faults, fractures and reefs that are often associated with traps and reservoir accumulations. SFD® is highly effective in frontier and under-explored areas, in offshore or onshore environments, and over any terrain. The SFD® survey system has been demonstrated to quickly focus exploration resources, offering the benefit of reducing the risk, time and expense associated with frontier exploration.

Following completion of the aerial surveys, we deliver to our clients a detailed report and maps of the surveyed area that identifies, ranks and recommends areas with SFD® indications of reservoir potential.

In 2006, we commenced our current business model and began providing SFD® survey services to clients on a fee-for-service basis. In accordance with this model, we have not invested either directly or indirectly in exploration or development wells or engaged in other exploration or production activities. Our current business model minimizes our capital requirements, thereby conserving cash, and minimizes any perceived or real conflicts between the interests of NXT and its survey clients.

NXT's primary business model is to earn revenues by conducting SFD® surveys for clients on a fee-for-service basis. Secondly, we may be able to negotiate to earn revenue from gross overriding royalty income and/or other incentive fees from clients should they generate production on areas recommended by SFD® surveys. Finally, in the future, we may earn a fee by providing other related geological and geophysical integration services to clients.

Our objective is to continue to increase industry awareness and appreciation of the value of our SFD® survey system and our strategy to achieve this includes maximizing client endorsement opportunities (such as through joint case studies) and targeting the most appropriate markets (i.e. where SFD® provides the maximum benefits). Our specific tactics include:

1. Focus the majority of sales resources on high profile primary markets which offer the maximum opportunity for success (such as Bolivia, Mexico, Colombia);
2. Build upon success in this initial market, and step out to other markets (such as Argentina, Peru, Brazil) in Latin America, and in South Asia (Pakistan, Malaysia, Sri Lanka);
3. Pursue requests of interest from qualified potential client "bluebirds" from all other locations in the world. The bluebird model is defined as an opportunity that arises, not from deliberate targeted sales initiatives, but in response to unsolicited client enquiries;
4. Continue to conduct pilot surveys to expand our knowledge base and provide documentation to support the use of SFD® in new applications. Each new application opens more market opportunities and provides valuable case studies to support our sales initiatives; and
5. Respond to opportunities to present at technical conferences, publish papers in periodicals and generally maximize our opportunities to educate the industry on SFD® capabilities and document case study successes.

3.2 Seasonality of the company's main business

There is no seasonality to our business. NXT does however, have a very cyclical business, as revenue activity is dependent upon the size and timing of a limited number of survey contracts each year.

3.3 Sources and availability of raw materials

We do not foresee any constraints upon materials or equipment that will impede our ability to execute our business plan or affect our ability to conduct and/or expand our business. Our main direct project input costs are aircraft operating costs and data interpretation staff. None of these expenses have been subject to significant price volatility.

In order to conduct our survey operations we require the following:

- **Survey aircraft** – Historically, we have both owned aircraft and chartered aircraft from independent charter aircraft companies. From 2009 to December 2015, we utilized an aircraft charter agreement with Air Partners, a Calgary-based air-charter operator, to provide aircraft, crew and maintenance services for our survey operations worldwide. In December 2015, we acquired from Air Partners a jet aircraft which was previously charter hired to NXT. We currently rely on Air Partners as the manager / operator of the aircraft which we use in SFD® survey operations.
- **SFD® sensors** - All of the survey sensors are manufactured in-house. Certain machining is required by third party machine shops, with final assembly performed by our technical staff. The sensors, once assembled, require flight testing prior to being considered acceptable for operational use. Not all sensors meet the performance criteria for operational use; however, we have demonstrated our ability to manufacture new functional SFD® sensors.
- **SFD® assembly** - The units in which the sensors are incorporated are custom designed, fabricated and assembled in-house or through subcontracted vendors. We utilize the services of Transport Canada approved Design Approval Representatives to prepare subsequent type certificates (“STC”) for the installation of our SFD® units in each aircraft that we utilize for surveys. The time to obtain an STC approval for the installation of our SFD® units into any proposed aircraft type may require several months.
- **Computer hardware and software** - (*Data Acquisition System, SFD® Signal Conditioning Unit, and data Interpretation software*). During the course of 2016, a new data acquisition system completed final testing. The software was developed by in-house personnel and will be utilized on future surveys. The hardware we use in our SFD® survey systems (other than the SFD® unit), and the balance of the computer software we use, are all readily available from retail or wholesale sources.

We are not dependent upon any other third party contract manufacturers or suppliers to satisfy our technology requirements.

3.4 Marketing channels

We largely use direct sales methods with some use of independent commissioned sales representatives in international markets.

3.5 Employees

Fiscal year ended December 31, 2016

As of the fiscal year ended December 31, 2016 we had a total of 23 employees and zero full-time independent contractors. NXT has no employees that are members of a labor union. The following summarizes the number of employees and independent contractors by main job function as at December 31, 2016:

Function	employees	contractors	total
Senior management team	4	-	4
Finance, administration and sales	6	1	7
Operations and technical development	13	-	13
Total	23	1	24

All of the above noted staff are based in Calgary, Canada except for 2 based in the Santa Cruz, Bolivia office which was opened in 2015. The 13 operations and technical development staff includes one research scientist holding a Ph.D. and 5 geoscientists. We periodically engage other technical and administrative contract personnel as required on a project basis.

3.6 Patents.

In May 2012, we commenced a “provisional” patent application process in the U.S. and formally filed a patent on May 22, 2013, which was subsequently published on November 28, 2013. We intend to continue expanding the process with additional formal patent applications in the future. We understand that our right to patent the SFD® technology is not compromised by our ongoing commercial use of the technology, as the components of the SFD® technology have never been disclosed to third parties (except under very limited and confidential terms) or released in any manner into the public domain.

In early 2017 we were granted the first international patent by the Russian authorities on our SFD® technology and we understand that we may be able to obtain worldwide patents in the future.

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 U.S.-based leader in IP protection, is advising on our IP strategy, including the prior filing of an initial U.S. provisional patent application in May 2013. In November 2014, NXT filed a related patent amendment submission in the U.S. and commenced to undertake new patent applications in select strategic international markets.

3.7 Competition

Our SFD® airborne survey service is based upon a proprietary technology, which is capable of remotely identifying, from a survey aircraft, subsurface anomalies associated with potential hydrocarbon traps with a resolution that we believe is technically superior to other airborne survey systems. To our knowledge there is no other company employing technology comparable to our SFD® survey system for oil and natural gas exploration.

Seismic is the standard technology used by the oil & gas industry to image subsurface structures. It is our view that the SFD® survey system is highly complementary to seismic analysis. Our system may reduce the need for seismic in wide-area reconnaissance but will not replace the role of seismic in verifying structure, closure and selecting drilling locations. The seismic industry is very competitive with many international and regional service providers.

The SFD® system can be used as a focusing tool for seismic. With an SFD® survey a large tract (i.e. over 5,000 square kilometers) of land can be evaluated quickly to identify locations with indications of reservoir potential. Seismic surveys, although effective in identifying these locations, are much more expensive, require significantly more time and impose a much greater negative impact on local communities and the environment. An SFD® survey deployed first can provide necessary information to target a seismic program over a limited area of locations selected by SFD®. This approach can result in a more effective seismic program and reduce the overall cost, time, community resistance and environmental impact required to locate and qualify a prospect.

The industry uses other technologies for wide area oil and natural gas reconnaissance exploration, such as aeromagnetic and gravity surveys. These systems can provide regional geological information, such as basement depth, sedi-

mentary thickness and major faulting and structural development; however, these other airborne techniques are not as suitable for identifying areas with reservoir potential as the SFD® system.

3.8 Government & environmental regulation

SFD® Survey Flight Operations

The operation of our business, namely conducting aerial SFD® surveys and interpreting SFD® data, is not subject to material governmental or environmental regulation in Canada and the United States with the exception of flight rules issued by Transport Canada and the Federal Aviation Authority governing the use of commercial aircraft, including rules relating to low altitude flights. The requirements in other countries vary greatly and may require permits and/or provide other restrictions to conducting flight operations in the country that may restrict our ability to perform SFD® surveys as freely as in Canada and the United States.

For example, in Colombia, SFD® surveys must comply with three requirements not encountered in Canada and the United States. These requirements are; customs obligations and bonds related to the importation and exportation of the aircraft into Colombia, obtaining permits from the local aviation authority, and obtaining permits from the Colombian Air Force. NXT has successfully operated in the past in Colombia in accordance with these requirements.

With our past experience in Canada, the United States, Bolivia, Mexico, Colombia and other countries, we do not anticipate any unusual government controls or regulations that might significantly prevent timely completion of SFD® surveys. However, we may encounter unforeseen government regulations or restrictions in other countries that may impair or restrict our ability to conduct surveys, which could limit our ability to earn revenue or potentially expose us to forfeiture of performance bonds

3.9 Property, plant and equipment.

Oil and Gas Properties

We have minor historical interests in a limited number of acreage holdings of undeveloped lands in western Canada. These assets are not a material asset and have been written off in our financial statements. Additionally, we may in the future become entitled to receive gross over-riding royalty (“GORR”) interests on production from portions of certain lands where we conducted past surveys for clients in Canada, such as in the Horn River shale gas basin in British Columbia, Canada. There is no certainty that wells on these lands will become placed on production, or that future royalty revenues will be earned from these entitlements prior to the expiry of the landowners’ related mineral leases. No asset value has been recorded in the financial statements for these GORRs.

Facilities / office premises

In August 2015, NXT moved to a new, larger office premises (11,298 square feet) at 3320 – 17th Avenue SW in Calgary under a 10-year lease at an initial estimated minimum monthly lease payment of \$42,368 (including building operating costs) commencing in October 2015.

Equipment

Our SFD® technology is comprised of three main components, detailed below, which we collectively refer to as our SFD® survey system. This system is generally stored at our Calgary office facility unless deployed during survey operations when this equipment would travel with the aircraft or be stored in a locked facility at the survey location when not in use. In addition, there is extensive interpretation equipment located in Calgary. The main categories of equipment we use are:

- *Stress Field Detector* - the stress field detector, or SFD® system, including a unit which houses the SFD® sensors, is the principal component of our technology. SFD® sensors respond to changes in subsurface stress. These responses are transformed through a passive transducer into electronic digital signals. Airborne surveys are normally conducted utilizing an array of 22 SFD® sensors, consisting of 6 primary, 8 secondary and 8 development sensors, allowing the acquisition of multiple independent SFD® signals responses at all points of a survey.

- *Data Acquisition System* - used in conjunction with the SFD® sensor array on surveys, our data acquisition system is a compact, portable computer system which concurrently acquires the electronic digital signals from the SFD® sensor array and other pertinent client data, including the GPS location information of the data.
- *SFD® Signal Conditioning Unit* - this self-contained unit contains electronic circuits for stabilizing and conditioning electronic signals. All sensor output is directly connected to this unit and after signal conditioning is completed, all output is forwarded to the computer system.
- *Interpretation Theatre* - once returned to our home base, the SFD® data collected is processed and converted into a format that can be used by our interpretation staff using systems consisting of generally off-the-shelf computer equipment, high definition monitors, projectors and screens. This equipment is generally permanently set up at our Calgary office facility. A remote SFD® data interpretation theater is available and may be deployed during survey operations and would be set up in a facility at the survey client's city.

We are not affected by any significant environmental concerns, nor is there any planned significant capital additions contemplated.

4.0 RISK FACTORS

Investing in our common shares involves a high degree of risk. In addition to the other information included in this document, you should carefully consider the risks described below before purchasing our common shares. If any of the following risks actually occur, our business, financial condition and results of operations could materially suffer. As a result, the trading price of our common shares could decline and you might lose all or part of your investment.

4.1 Continued Operations

We are in the early stages of realizing the goal of widespread industry acceptance of our SFD® technology, during which we may have a significant economic dependency on a limited number of clients. As such, there is uncertainty about the timing and magnitude of future revenues. We recognize that there is limited ability to support operations indefinitely without generating sufficient new revenue sources or securing additional financing if such should become required.

4.2 Financial statements

The preparation of financial statements requires our 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 as well as revenues and expenses recorded in our financial statements. Estimates made relate primarily to the measurement of accrued liabilities, stock-based compensation expense, valuation of future income tax assets, estimates for asset retirement obligations, and the useful lives of capital assets and intellectual property.

The estimates and assumptions are reviewed periodically and are based upon the best information available to management; however, we cannot provide assurance that future events will not prove that these estimates and assumptions are inaccurate. Any revisions to our estimates and assumptions may have a material impact on our future reported net income or loss and assets and liabilities.

4.3 Commodity prices.

We incur a risk of market changes in oil and natural gas prices. Prospective revenues from the sale of our services can be impacted by oil and natural gas price changes. 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.

4.4 Foreign currency fluctuations

We currently conduct cash transactions and have holdings in Canadian dollars, U.S. dollars and periodically have holdings of local currency in countries such as Bolivia. We generally contract to earn revenues in U.S. dollars and potentially may earn revenues in Canadian dollars and other foreign currencies

Our reporting currency is in Canadian dollars. We currently do not engage in currency hedging activities, and are reviewing opportunities to do so. Our cash positions and potential foreign currency revenue streams in currencies other than Canadian dollars exposes us to exchange rate fluctuations between the Canadian dollar and foreign currencies.

Our financial position will be affected by exchange rate fluctuations. We may earn revenue and incur expenses denominated in foreign currencies, yet report our financial results in Canadian dollars. Furthermore, we intend to enter into contracts to provide services in foreign countries and may periodically conduct business in other currencies such as the Euro. Changes in currency exchange rates could have an adverse effect on the company's business, financial condition and results of operations.

4.5 Interest rate fluctuations

We periodically invest available cash in short term investments that generate interest income that will be affected by any change in interest rates.

4.6 Availability of aircraft

In December 2015, NXT acquired (from its third party owner), a 1997 Cessna Citation Ultra 560 jet aircraft, the primary aircraft which had previously been charter hired to NXT by its operator, Air Partners. The purchase price was US \$2 million, and Air Partners continue to maintain and operate (including providing pilots, aircraft maintenance engineers, insurance, hangars, etc.) the aircraft now owned by NXT, in accordance with Transport Canada and other regulatory standards. When the aircraft is not needed for use by NXT, Air Partners seek to earn charter hire revenues from the aircraft on behalf and for the account of NXT.

Air Partners also has access to an alternate, similar model aircraft (certified for the use of our survey equipment) which could be charter hired for use by NXT if needed.

In the event that NXT's aircraft is not available (due to damage, a need for extensive repairs, or other unforeseen events) to conduct survey projects, there is a risk that suitable alternative aircraft may not be available on a timely basis from other charter operators when needed. This inability to conduct survey operations could have a material adverse effect on the company's business, financial condition and results of operations.

In March 2017, NXT entered into a binding sale and leaseback agreement with a Calgary based international aircraft services organization. The terms of the agreement involve NXT selling its' Cessna Citation aircraft that was purchased in 2015 for US\$2,000,000 for the sum of US\$2,300,000. NXT will lease the aircraft back for a minimum period of 60 months and retain all existing operating rights and obligations. Net proceeds to NXT from the sale will be approximately CAD \$2,700,000, after payment of all commissions and fees, and are expected to be received in April 2017. The monthly repayment is approximately US \$40,000

4.7 Segregation of duties

Certain duties that are most appropriately segregated between different employees are, due to our current limited staff, assigned to one individual.

Standard internal control methodology involves the separation of incompatible functions by assigning these functions to separate individuals, and in larger organizations, to separate departments. We often cannot allocate these functions to separate individuals because our administrative staff is limited.

Although we have adopted alternative control methods designed to compensate for the reduced ability to separate incompatible functions, these alternative controls are not effective and there is more than a remote likelihood that our internal control over financial reporting will not prevent or detect material misstatements if they should exist in our financial statements. This lack of separation of duties exposes us to potential misappropriation of funds, embezzlement and other forms of fraud and could have a material adverse effect on our business, financial condition and results of operations.

4.8 Related Party Transactions

We may periodically enter into related party transactions with our officers and directors. The most significant transaction was a “Technology Transfer Agreement” (the “TTA”) that was executed on December 31, 2006 between NXT and Mr. George Liszicasz, our Chief Executive Officer (“CEO”), president and director, wherein we issued 10,000,000 convertible preferred shares to him in exchange for the rights to the SFD® technology for use in hydrocarbon exploration. In 2013, a total of 2,000,000 of these preferred shares were converted (on a one-to-one basis) into common shares, and the remaining 8,000,000 preferred shares were converted in August 2015.

Although we manage this potential conflict of interest risk through maintenance of a strong independent board of directors (the “Board”), all related party transactions have the potential for conflicts of interest that may compromise the ability of Board members to exercise their fiduciary responsibility to NXT shareholders.

4.9 Conflicts of interest

Mr. George Liszicasz, our CEO, is our largest shareholder, and as of March 31, 2017 owns approximately 28% of our outstanding common shares and therefore has a substantial influence in all shareholder matters.

In January 2014, Mr. Liszicasz granted to various individuals “Rights” to acquire from him a total of 1,000,000 of the 8,000,000 common shares which were subsequently issued to him effective August 31, 2015 upon the conversion of the 8,000,000 preferred shares which he held. These Rights are exercisable at a price of \$1.77 per common share, and had an expiry date of December 31, 2016. See also the Notes to NXT’s Consolidated Financial for additional information relating to these Rights. These “Rights” expired, unexercised on December 31st, 2016 and were not renewed.

Controls do exist to mitigate any potential risks associated with this conflict of interest. Mr. Liszicasz adheres to a code of conduct which includes a fiduciary responsibility to the company and its shareholders and this conduct is governed by the independent Board of directors who collectively represent a majority of the Board. Furthermore all material related party transactions are disclosed publicly.

However, should these conflict of interest controls not be effective, decisions could be made by the company that may advantage Mr. Liszicasz and negatively impact other shareholders.

4.10 Rights to SFD® technology

Our rights to ownership and use of SFD® technology depended on Mr. Liszicasz having the lawful right to sell to NXT the exclusive rights to exploit the SFD® technology for the exploration of hydrocarbons as agreed to in the TTA.

A risk exists that an unknown party may claim some legal entitlement to our intellectual property, our rights to commercialize this intellectual property or our right to create SFD® devices and processes. However, we believe that such a claim would be without merit.

The SFD® technology is an essential component of our business plan. If a third party challenged our lawful entitlement to this technology, the legal defense of our right to the technology may be expensive and could cause a loss of our right to the SFD® technology, or a protracted legal process to assert our right to the technology would have a material adverse effect on the company's business, financial condition and results of operations.

4.11 Reliance on specialized equipment

We rely on specialized data acquisition equipment, including a limited number of SFD® sensor devices, to conduct our aerial SFD® survey operations. We would be at risk if these survey sensors were to become damaged, destroyed, worn out, stolen or in any way became unavailable for use in operations prior to us creating and testing additional sensors. Should the sensors become unavailable for any reason, our ability to conduct surveys could be delayed for several months as we built new sensors. During this period we may become unable to satisfy contractual obligations, which may jeopardize future revenue opportunities and may potentially result in a client drawing on a contract performance bond posted by the company or otherwise making claims against the company for breach of contract. In addition, an inability to satisfy contractual obligations may have an adverse effect on our developing reputation within the oil and gas community.

NXT seeks to mitigate this risk by researching new designs and constructing additional SFD® sensor devices.

4.12 Geological conditions

As the company is in the early commercialization phase, SFD® surveys have not been tested over all potential geological conditions. Some geological conditions may subsequently be proven to be unsuited for SFD® surveys thereby creating unforeseen limitations to the application of SFD® surveys.

Any limitation to the application of SFD® surveys has the potential of restricting future revenue opportunities and if not properly disclosed to industry clients, such limitations may impact the reputation of the company with these clients.

4.13 Technological Improvement

Unless we pursue ongoing technological improvement and development, we may be unable to respond to changes in customer requirements or new competitive technologies.

We must continue to refine and develop our SFD® survey system to make it scalable for growth and to respond to potential future competitive pressures. These improvements require substantial time and resources. Furthermore, even if resources are available, there can be no assurance that the company will be commercially or technically successful in enhancing the technology. Our inability to keep pace with new technologies and evolving industry standards and demands could have a material adverse effect on our business, financial condition and results of operations.

4.14 Reliance on key personnel

We rely on a limited number of key personnel who collectively possess the knowledge and skills to conduct SFD® surveys and interpret SFD® data as required to meet contract obligations. Additional or replacement personnel cannot be found and trained quickly. The loss of any of these key persons or increased demand for our services from clients could impair our ability to meet contract obligations, thereby adversely impacting our reputation and our ability to earn future revenue from clients.

The company's future success depends, to a significant extent, on the continued service of its key technical and management personnel and on our ability to continue to attract and retain qualified employees. The loss of the services of our employees or a failure to attract, retain and motivate qualified personnel could have a material adverse effect on our business, financial condition and results of operations. We do not have "key man" insurance on any of our personnel.

The company puts in place employment agreements with all of its executive officers, including George Liszicasz, its President and CEO.

We have a dependence on Mr. Liszicasz and two other staff members to be involved in the SFD® data interpretation process and to continue to enhance our technology. We are working to minimize dependency on key personnel. Mr. Liszicasz has trained and continues to train a team of signal interpreters to minimize our reliance on him to perform

these functions. Currently, a total of seven persons, three of which are highly experienced, (with two additional persons currently in process of training) are trained to interpret SFD® signals.

Although we have engaged employees with suitable credentials to work with Mr. Liszicasz to enhance our interpretation process and further develop the SFD® technology, if we are unable to reduce dependence on Mr. Liszicasz and he becomes incapable of performing or unwilling to perform these functions, then there may be an adverse effect on our ability to interpret the data from SFD® surveys or to enhance our technology.

Within the province of Alberta, the skilled personnel that we require may periodically be in short supply and there is specialized training required that can take several months in order for a new employee to become effective. If we cannot hire these key personnel, we have inadequate time to train them or should we lose current personnel, then our ability to accept contracts or meet contract commitments may be adversely affected, thereby restricting our ability to earn revenue.

4.15 Ability to trade shares

There is no certainty that an investor can trade our common shares on public markets at a stable market price.

The company has historically had a limited public market for our common shares on the TSX Venture Exchange (the "TSX-V"), and the United States ("U.S.") OTC Markets Group's Venture Stage Marketplace (the "OTCQB") and there is a risk that a broader or more active public trading market for our common shares will not develop or be sustained, or that current trading levels will not be sustained. Effective March 22, 2016, the Company's application to graduate from the TSX-V to the broader Toronto Stock Exchange ("TSX"), Canada's premier stock exchange listing, was approved.

The market price for the common shares on the exchanges where our stock is listed has been, and we anticipate will continue to be, extremely volatile and subject to significant price and volume fluctuations in response to a variety of external and internal factors. This is especially true with respect to emerging companies such as ours. Examples of external factors, which can generally be described as factors that are unrelated to the operating performance or financial condition of any particular company, include changes in interest rates and worldwide economic and market conditions, as well as changes in industry conditions, such as changes in oil and natural gas prices, oil and natural gas inventory levels, regulatory and environment rules, and announcements of technology innovations or new products by other companies. Examples of internal factors, which can generally be described as factors that are directly related to our consolidated financial condition or results of operations, would include release of reports by securities analysts and announcements we may make from time to time relative to our operating performance, clients exploration results, financing, advances in technology or other business developments.

Because we have a limited operating history and a limited history of profitability to date, the market price for the common shares is more volatile than that of a seasoned issuer. Changes in the market price of the common shares, for example, may have no connection with our operating results or the quality of services provided to clients. No predictions or projections can be made as to what the prevailing market price for the common shares will be at any time, or as to what effect, if any, that the sale of shares or the availability of common shares for sale at any time will have on the prevailing market price. Given the relatively low historic trading volumes, small trades of NXT's common shares can adversely and potentially dramatically affect the market prices for those shares.

Accordingly, investors in our common stock should anticipate both volatile stock price and poor liquidity unless these conditions change.

4.16 Dividends

We have never paid any cash dividends on our common shares and we do not anticipate that we will pay any dividends in the foreseeable future. Our current business plan is to retain any future earnings to finance the expansion of our business. Any future determination to pay cash dividends will be at the discretion of our Board of directors and will be dependent upon our consolidated financial condition, results of operations, capital requirements and other factors as our Board of directors may deem relevant at that time.

4.17 Dilution

Our right to issue additional capital stock at any time could have an adverse effect on your proportionate ownership and voting rights.

We are authorized under our Articles of Incorporation to issue an unlimited number of common shares and an unlimited number of preferred shares. We may issue these shares under such circumstances and in such manner and at such times, prices, amounts and purposes as our Board of Directors may, in its discretion, determine to be necessary and appropriate, subject to compliance with all applicable exchange regulations and corporate and securities laws. Proportionate ownership and voting rights of common shareholders could be adversely affected by the issuance of additional common shares which may result in common share value dilution.

4.18 Intellectual Property

We may not be able to protect our trade secrets and intellectual property from competitors who would use this knowledge to eliminate or reduce our technological advantage.

Our success and future revenue growth will depend, in part, on our ability to protect our intellectual property ("IP"). We have commenced an IP strategy process to obtain patents related to the SFD® technology, while also utilizing "trade secrets" protection of the proprietary nature of our technology as applicable. In early 2017 we were granted a patent by Russia and continue to pursue the grant of numerous other international patents.

The formal patent protection application process, which commenced in 2012, will require disclosure of at least some aspects of our SFD® technology to third parties and ultimately public disclosure. This disclosure could significantly increase the risk of unlawful use of our technology by third parties. Furthermore, we have no assurance that, even if we seek patent protection, a patent could be registered to protect our IP in all or any jurisdictions within North America or other countries throughout the world. If registered, there can be no assurance that it would be sufficiently broad to protect our technology or that any potential patent would not be challenged, invalidated or circumvented or that any right granted thereunder would provide meaningful protection or a competitive advantage to us. Finally, protection afforded by patents is limited by the financial resources available to legally defend IP rights. We currently do not possess the required financial resources to fund a lengthy defense of our rights if challenged by a much larger competitor or an oil and gas company.

We do enjoy common and contract law protection of our technology and trade secrets. Employees and contractors are governed by confidentiality agreements as well as a fiduciary responsibility to protect our technology, supporting documentation and other proprietary information.

Our strongest protection of the SFD® technology comes from restricting access to knowledge concerning the technology. Only a very limited number of NXT personnel have access to or knowledge of the underlying SFD® technology and no one employee and only one officer has access or knowledge of all aspects of the SFD® system. Currently, no third party has any significant knowledge of the technology. As further protection, SFD® equipment does not leave the direct control of NXT employees, thereby preventing unauthorized replication of the equipment.

The company reassesses the appropriateness of its IP protection strategy on an ongoing basis and seeks advice from IP advisors as necessary.

It is possible that a third party will copy or otherwise obtain and use the company's technology without authorization, develop a similar technology independently or design around the company's secrets. Accordingly there can be no assurance that the steps taken by the company to prevent misappropriation or infringement of our IP will be successful.

An inability to protect our IP would make it possible for competitors to offer similar products and services that could have a material adverse effect on our business, financial condition and results of operations.

4.19 Flight operations

We experience operational hazards in our flight operations that may subject us to potential claims in the event that an incident or accident occurs.

The flight operations of SFD® surveys are subject to the hazards associated with general flight operations. An aircraft accident may cause personal injury and loss of life, as well as severe damage to and destruction of property or the SFD® sensors and related equipment.

Independent third parties provide all the services required to maintain and operate the aircraft; they bear the primary risks of flight operations. These services are provided by an organization accredited by Transport Canada to operate aircraft in accordance with Transport Canada approved and audited operating procedures. The aircraft operator employs the required pilots, aircraft maintenance engineers and support personnel and ensures that they operate within their Transport Canada operating certificate. Our employees do not perform any airworthiness or flight safety operations.

We require the flight contractor to maintain appropriate insurance coverage for the risks associated with aircraft operations, and we obtain insurance coverage to provide us with additional risk protection. In addition, we maintain general business insurance coverage, and believe that this insurance and the policy limits are appropriate for the operational risks that we incur.

Despite our policy to not operate the aircraft directly and our insurance coverage, we cannot avoid or alternatively be insured for all risks of flight operations. In the event of an incident or accident we may be sued by injured parties in excess of our policy limits or for damages that are not covered by our insurance policy. The magnitude of a lawsuit of this nature is not determinable. Furthermore, to the extent that our SFD® equipment is damaged, we may be unable to conduct SFD® surveys for several months following an accident.

4.20 Foreign Countries

We conduct operations in foreign countries, which exposes us to several risks that may have a material adverse effect on the company.

Criminal Activity and Social Instability –we have operated in the past in foreign countries such as Colombia, which over the past two decades experienced significant social upheaval and criminal activity relating to drug trafficking, kidnapping and terrorist acts. While the situation has improved dramatically in recent years, there can be no guarantee that the situation will not deteriorate again, nor are these risks eliminated as yet. Furthermore, other potential international survey locations may have similar or other indeterminate criminal or social instability risks.

Systemic criminal activity in a country or isolated criminal acts may disrupt operations, impact our ability to earn revenue, dramatically add to our cost of operations or potentially prevent us from earning any survey revenue in a country.

In addition, foreign markets may be susceptible to a higher risk of corruption and bribery. All of NXT's employees, contractors, and independent sales agents are required to adhere to the company's code of conduct and business ethics, which prohibits illegal activities, including any acts of bribery or corruption.

Political Instability - Any changes in regulations or shifts in political attitudes are beyond the control of the company and may adversely affect our business. Exploration may be affected in varying degrees by government regulations which have the effect of restricting exploration and production activities. These changes may adversely impact the laws and policies governing price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation, site safety or other areas.

Currently, there are no restrictions (other than the payment of local with-holding taxes) on the repatriation back to Canada of our earnings in foreign countries in which we have operated, such as Colombia and Bolivia; however, there can be no assurance that significant restrictions on repatriation to Canada of earnings will not be imposed in the future.

Our operations may also be adversely affected by changes in laws and policies in Canada impacting foreign travel and immigration, foreign trade, taxation and investment.

Commercial Disputes – While operating in a foreign country, we are subjected to local commercial laws which often involve executing contracts in a foreign language. Although every effort is made to ensure we have access to an accurate English translation, misunderstanding and potential disputes between parties may arise.

In the event of a dispute arising in connection with our foreign operations for any reason, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. We may also be hindered or prevented from enforcing our rights with respect to a government instrumentality because of the doctrine of sovereign immunity.

Accordingly, these risk factors have the potential of adversely reducing the level of survey revenue from our clients, our ability to operate effectively or our ability to be paid for our services and may have a material adverse effect on our financial position.

Where possible, NXT utilizes risk mitigation products offered by entities such as Export Development Canada (“EDC”). EDC financial products include insurance coverage of contract accounts receivable, guarantee support for contract performance bonds, and wrongful call insurance for such bonds.

4.21 Flight permits

We rely upon the right to conduct airborne surveys in foreign countries. These foreign operations expose us to the risks that we will be prevented from conducting surveys when requested by clients.

The operation of our business, namely conducting aerial SFD® surveys and interpreting SFD® data, is not subject to material governmental or environmental regulation in Canada and the United States with the exception of flight rules issued by Transport Canada and the U.S. Federal Aviation Administration (“FAA”) governing the use of commercial aircraft, including rules relating to low altitude flights. The requirements in other countries vary greatly and may require permits and/or provide other restrictions to conducting flight operations in the country that may restrict our ability to perform SFD® surveys.

For example, in South American countries in which we have operated, such as Colombia and Bolivia, SFD® surveys must comply with additional requirements not encountered in Canada and the United States, including customs obligations and bonds related to the importation and exportation of the aircraft into the country, obtaining permits from the local aviation authority, and obtaining permits from the local Air Force. We have successfully operated in South America and other global regions in accordance with these typical requirements.

With our North America and International experience to date, we do not anticipate any government controls or regulations that will prevent timely completion of SFD® surveys. However, we may encounter government restrictions in other countries that may impact or restrict our ability to conduct surveys.

If we encounter government regulation and restrictions that impact or prevent us from conducting surveys in any country, then we will not be able to earn revenue in the country and we may be exposed to forfeiting any performance bonds which may have been issued.

We caution that the factors referred to above and those referred to as part of particular forward-looking statements may not be exhaustive and that new risk factors emerge from time to time in our rapidly changing business environment.

5. DIVIDEND POLICY

The company has not paid dividends since its inception.

6. CAPITAL STRUCTURE

6.1 Common Shares

The Company is authorized to issue an unlimited number of common shares. As at the 31st of March, 2017, there were 53,856,509 fully paid and non-assessable common shares issued and outstanding. The holders of common shares are entitled to dividends (subject to any prior rights of the holders of Preferred Shares) if, as and when declared by the Board of Directors.

The holders of common shares are entitled to one vote per share at any meeting of the shareholders of the Company and to receive in the event of liquidation or dissolution (subject to any prior rights of the holders of Preferred Shares), all assets of the Company as are distributable to the holders of shares.

The complete description of the rights, privileges, restrictions and conditions of the common shares is included in our articles a copy of which is available through the Company's issuer profile on SEDAR at www.sedar.com. Company's issuer profile on SEDAR at www.sedar.com.

6.2 Preferred Shares

The Company is authorized to issue an unlimited number of Preferred Shares, issuable in series. The Board may by resolution fix before issuance, the designation, rights, privileges, restrictions and conditions to attach to the Preferred Shares of each series. The Preferred Shares are entitled to preference over the common shares with respect to the payment of dividends, if any, and in the event of liquidation, dissolution or winding-up of the Company. As at the 31st March, 2017, there are no Preferred Shares issued and outstanding.

The complete description of the rights, privileges, restrictions and conditions of the Preferred Shares is included in our articles a copy of which is available through the Company's issuer profile on SEDAR at www.sedar.com.

6.3 Preferred Shares, Series 1

The Company is authorized to issue up to 10,000,000 preferred shares - Series 1. In 2006, NXT issued 10,000,000 preferred shares - Series 1 (the "Series 1 Shares"), of which Nil were outstanding as at December 31, 2016 following their conversion on a 1 for 1 basis into common shares on August 31, 2015 pursuant to the terms of the TTA which had a maturity date of December 31, 2015. Given that the Expiry Date (as defined in the Articles) was December 31, 2015, the Company is not able to issue an additional Series 1 Shares.

The company had 53,856,509 common shares outstanding at the 31st December 2016. All shares have equal voting rights.

7. MARKET FOR SECURITIES

The following tables set forth the price history of the company's common shares listed on the OTC in the United States and on the TSX-V and the TSX in Canada.¹

Month Ended	TSX-V (up to 21 st March) & TSX (from March 22 nd onwards)			OTC QB		
	High (in Cdn\$)	Low (in Cdn\$)	Volume	High (in US\$)	Low (in US\$)	Volume
December 31, 2016	\$1.50	\$1.40	201,094	\$1.13	\$1.04	127,995
November 30, 2016	\$1.51	\$1.32	104,241	\$1.13	\$1.02	150,667
October 31, 2016	\$1.59	\$1.40	91,200	\$1.19	\$1.06	126,925
September 30, 2016	\$1.65	\$1.36	154,626	\$1.23	\$1.03	199,939
August 31 st , 2016	\$1.50	\$1.34	153,594	\$1.16	\$1.02	131,861
July 31 st , 2016	\$1.62	\$1.44	157,226	\$1.18	\$1.10	64,160
June 30 th , 2016	\$1.51	\$1.40	273,311	\$1.17	\$1.07	102,422
May 31 st , 2016	\$1.55	\$1.40	213,777	\$1.21	\$1.10	132,883

April 30 th , 2016	\$1.54	\$1.35	117,742	\$1.21	\$1.05	120,401
March 31 st , 2016	\$1.55	\$1.21	171,566	\$1.19	\$0.95	139,016
February 28 th , 2016	\$1.80	\$1.45	133,890	\$1.25	\$1.05	119,580
January 31 st , 2016	\$1.92	\$1.61	100,670	\$1.35	\$1.13	127,330

(1) Effective March 22, 2016, the Company's application to graduate from the TSX-V to the broader Toronto Stock Exchange ("TSX"), Canada's premier stock exchange listing, was approved.

8. ESCROWED SECURITIES and SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

There are no securities held in escrow or securities subject to a contractual restriction on transfer.

9. DIRECTORS and OFFICERS

Our articles of incorporation provide for a minimum of one director and a maximum of 15 directors comprising our Board of directors. At present, our Board of directors consists of six members.

Our directors are elected by our shareholders at our annual meeting of shareholders and hold the position either until the next annual shareholders' meeting, the date of their resignation or until a successor is appointed.

The following sets forth information, including directorships in other reporting issuers, as of March 31, 2017, for our directors, executive officers and key employees:

MICKEY ABOUGOUSH
CALGARY, ALBERTA, CANADA

Age 70
Director since
November 2007

Mr. Abougoush is a retired professional engineer with over 40 years of experience in the petroleum industry, largely in technical and executive positions. He previously (to August 2015) was the chairman of Teknica Overseas Ltd., an international consulting company. He previously was chairman of SQFive Intelligent Oilfield Solutions Ltd., an international consulting and software development company and also served as president of Teknica Petroleum Services Ltd., an international consulting and software development company. He was formerly a director of both CCR Technologies Ltd. and WellPoint Systems Inc., both of which were public companies listed on the TSX Venture Exchange.

Mr. Abougoush is the Chair of NXT's Audit Committee and a member of the Governance Committee.

GEORGE LISZICASZ
CALGARY, ALBERTA, CANADA

Age 63
Director, Chairman and Chief
Executive Officer since January
1996; President since July 2002

Mr. Liszicasz is the inventor of the company's SFD® technology and has been our Chairman and CEO since the company's inception in 1996. Mr. Liszicasz' primary responsibilities, as the President and CEO, are to oversee all operations and to further develop the SFD® technology.

Mr. Liszicasz studied electronics and general sciences at the University of British Columbia and obtained a High Voltage Controls and Station Operations degree in Electronics from the Landler Jenó Technitken in Hungary in 1973.

CHARLES SELBY
CALGARY, ALBERTA, CANADA

Age 60
Director since
January 2006

Mr. Selby holds a B. Sc. (Hons) in Chemical Engineering, a J.D. degree and is a registered Professional Engineer in the Province of Alberta. He previously practiced law for two large Canadian law firms, specializing in securities and corporate finance matters. Since leaving the practice of law, he has served on the management of a number of reporting issuers including serving as Vice President and Corporate Secretary of Pengrowth Corporation with operations in Canada and as an officer of Arakis Energy, which formerly had operations in the Sudan. He has served on the board and management of other issuers in the oil

and natural gas industry with operations in Canada and internationally.

Mr. Selby is currently the Chairman and CEO of Montana Exploration Corp. (formerly AltaCanada Energy Corp.), an oil and gas company with operations in the State of Montana that is listed on the TSX-V and is the president of Caledonian Royalty Corporation and Caledonian Global Corporation, both private entities which are involved in oil & gas production.

Mr. Selby is the Lead Independent Director of NXT. He is also Chair of NXT's Compensation Committee and a member of the Audit, Disclosure, and Strategic Planning Committees.

JOHN TILSON
MONTECITO, CALIFORNIA, USA

Age 73
Director since
February 2015

Mr. Tilson is retired, and after obtaining MBA and CFA designations, had a distinguished career as an analyst, portfolio manager, and advisor in the US investment and financial industry with such firms as Sutro & Company and EF Hutton & Company. Mr. Tilson joined Roger Engemann and Associates in 1983 when assets under management were roughly US \$160 million. During his tenure there, the Pasadena Group of Mutual Funds was started, with Pasadena Capital Corporation formed as the holding company for the mutual funds and investment management business. After working as an analyst and portfolio manager, John later became Executive Vice President & Managing Director of Pasadena Capital Corporation.

Mr. Tilson is the Chair of the Strategic Planning Committee, and a member of the Compensation Committee.

THOMAS E. VALENTINE
CALGARY, ALBERTA, CANADA

Age 55
Director since
November 2007

Corporate Secretary since
April 2014

Mr. Valentine is a Partner with Norton Rose Fulbright Canada LLP, where he has practiced law, both as a Barrister and a Solicitor, since his call to the Bar in 1987. He is a member of the firm's Energy and Infrastructure Practice Group and is involved in energy and energy related matters throughout the Middle East, North Africa, the CIS, Asia and South America.

Mr. Valentine is a member of the Board of Directors of Touchstone Exploration Inc., and formerly was a director of two other Canadian public companies, Calvalley Petroleum Inc. (to May 2015) and Veraz Petroleum Ltd.

Mr. Valentine holds a BA from the University of British Columbia, a LLB from Dalhousie University, and a LL.M. from the London School of Economics.

Mr. Valentine is the Chair of the Governance Committee and a member of the Compensation Committee.

BRUCE G. WILCOX
NEW YORK, USA

Age 62
Director since
June 2015

Mr. Wilcox is the CEO of E Street Management, LLC, the investment manager for the E Street Fund, LLC, a fund of funds focused on high-performing smaller managers. He has had a long career as an investment company CEO, analyst and portfolio manager. He spent most of his career with Cumberland Associates, LLC, a New York long/short equity fund, from 1986 through retirement in 2010, progressing from analyst / portfolio manager to partner, and Chairman of the Managing Committee. Mr. Wilcox specialized in Cumberland's investment positions in energy industry (E&P and service) companies, with an emphasis on value and long-term holdings. During his tenure, the fund's assets under management ranged from US \$0.7 billion to \$1.5 billion.

From 1984 to 1986, Mr. Wilcox was with Central National-Gottesman, Inc. as an analyst and portfolio manager on a team responsible for a \$500 million listed equity portfolio.

Mr. Wilcox is presently one of the managing members of Xiling Fund III, LLC, part of a series of private equity funds (US \$100+ million) which specialize in investing in museum quality Chinese art and collectibles.

Mr. Wilcox obtained a BA (Honors), in Modern Chinese from the University of California, Santa Barbara (1977), and a Master of International Management from the American Graduate School of International Management in Phoenix (1980).

Mr. Wilcox is a member of several Boards, including the Teachers College of Columbia University (2003 to date, including acting as the Chair of the Investment Committee), the University of California Santa Barbara Foundation (2003 to date, including as former Chair of the Board, and chair of the Investment and Finance Committees), and is a Trustee (2001 to date) of the Manhattan Institute For Policy Research, a leading urban, state, and national policy institution, which works on matters such as energy policy

Mr. Wilcox is a member of NXT's Audit, Disclosure, and Strategic Planning Committees.

BEV STEWART
CALGARY, ALBERTA, CANADA

AGE 48
V-P Finance and CFO
since May 2016

Mrs. Stewart joined NXT in May 2016 as Vice-President of Finance and Chief Financial Officer. Mrs. Stewart obtained a Chartered Accountant designation in 1995, and has over 20 years' experience in financial reporting, treasury, taxation, regulatory and risk management.

Mrs. Stewart's experience has included senior financial roles within the oil and gas and energy service sectors. Mrs. Stewart was Chief Financial Officer of TransCanada Turbines Ltd. (a joint venture company owned by TransCanada Corporation and John Wood Group Ltd) from 2005 until December 2014.

9.1 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

None of the directors or executive officers is, or has been in the last ten years, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued while the director was acting in that capacity; (ii) was subject to such an order that was issued

after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in such a capacity.

None of the directors or executive officers is, or has been in the last ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than as discussed below.

Charles Selby was previously a member of the board of directors of Wellpoint Systems Inc. ("Wellpoint", a reporting issuer on the TSX-V), which in January 2011 had a Receiver appointed by the Court of Queen's Bench of the Province of Alberta on behalf of the holders of secured debts. Wellpoint was subsequently wound up following a restructuring and sale of its operating assets. Mickey Abougoush also had previously served as a director of Wellpoint, and resigned in July, 2010, prior to it entering Receivership in 2011.

None of the directors or executive officers has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

Messrs. Abougoush, Selby, Tilson, Valentine, and Wilcox are considered "independent" within the meaning of Canadian securities law.

9.2 Board practices.

Expiration Dates

No director or member of our administrative, or supervisory bodies has an expiration date for their current term of office. Directors are elected by shareholders at the annual meeting of shareholders and hold the position either until the next annual shareholders' meeting or until a successor is appointed. The period during which each individual has served as a director is set out in the table under Item 6.A – "Directors and senior management". The Chief Financial Officer is on a term contract as at 31st December 2016. The term contract expires on 31st January 2017 and may or may not be renewed depending upon performance.

Service Contracts

No directors (other than an employment contract for the CEO, Mr. Liszicasz) have service contracts with the company or any of its subsidiaries that provide benefits upon termination of employment.

Board of Directors Mandate

The principal role of the Board is stewardship of the company through the creation of shareholder value, including the protection and enhancement of the value of its assets, as the fundamental objective. The stewardship responsibility means that the Board oversees the general operation of the business and management, which is responsible for the day-to-day conduct of the business. The Board must assess and ensure systems are in place to manage the risks of the company's business with the objective of preserving the company's assets. The Board, through the CEO, sets the attitude and disposition of the company towards compliance with applicable laws, environmental, safety and health policies, financial practices and reporting. In addition to its primary accountability to shareholders, the Board is also accountable to employees, government authorities, other stakeholders and the public. The Mandate of the Board of directors is posted on the company website and may viewed at www.nxtenergy.com or you may request a copy be mailed to you by writing to our offices at Suite 302, 3320 - 17th Avenue SW Calgary, Alberta, Canada, T3E 0B4.

Board Committees

CORPORATE GOVERNANCE COMMITTEE

The company and the Board recognize the importance of corporate governance to the effective management of the company and to its shareholders. The company's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the company are effectively managed so as to enhance shareholder value. The Mandate of the Corporate Governance Committee is posted on the company website and may be viewed at www.nxtenergy.com or you may request a copy be mailed to you by writing to our offices at Suite 302, 3320 - 17th Avenue SW Calgary, Alberta, Canada, T3E 0B4.

The Board and management endorse the need to establish forward-looking governance policies and to continuously evaluate and modify them to ensure their effectiveness.

Composition of the Corporate Governance Committee

Messrs. Valentine (Chair) and Abougoush are members of the Corporate Governance Committee, and are both independent.

Responsibilities of the Corporate Governance Committee

The Corporate Governance Committee's duties, as outlined in its charter, are to deal with the company's approach to corporate governance and the promotion of compliance with industry and regulatory standards. The committee is responsible for overseeing and assessing the functioning of the Board and the committees of the Board and for the development, recommendation to the Board, implementation and assessment of effective corporate governance principles and guidelines. The Committee's responsibilities also include identifying new candidates for director and recommending that the Board select qualified director candidates for election at the next annual meeting of shareholders.

DISCLOSURE COMMITTEE

Composition of the Disclosure Committee

The Disclosure Committee currently consists of Messrs. Selby and Wilcox (who are independent) and Mrs. Stewart (Chair).

Responsibilities of the Disclosure Committee

The Disclosure Committee's duties are to ensure that the company provides timely, accurate and balanced disclosure of all material information about the company and to provide fair and equal access to such information. All news releases, including but not limited to releases of material information, are managed by the Disclosure Committee. If the information has been determined by the Disclosure Committee to be material, news releases will be prepared, reviewed and then disseminated through a news-wire service that provides simultaneous service to widespread news services and financial media. Additionally, the Disclosure Committee is responsible for ensuring public disclosure through filing these news releases on SEDAR, EDGAR, and our website.

AUDIT COMMITTEE

Composition of the Audit Committee

The Audit Committee consists of Messrs. Abougoush (Chair), Selby and Wilcox. All members of the Audit Committee are independent and each member is financially literate. The company's Audit Committee Charter is attached in "Appendix A".

M. S. (Mickey) Abougoush

Mr. Abougoush holds a B.Sc. Chemical Engineering degree from the University of Alberta and has completed the director's education program sponsored by the Canadian Institute of Corporate Directors. He has previously served as audit committee chair of a publicly traded company.

Charles Selby

Mr. Selby is both a lawyer and Professional Engineer, with past legal experience specializing in securities and corporate finance matters. He has served on the board or in senior management roles with a number of private firms as well as reporting issuers in the oil and natural gas industry.

Mr. Selby has previously served on the audit committees of AltaCanada Energy Corp. and served as the audit committee chairman for Idaho Natural Resources Corp. (formerly Bridge Resources Corp.)

Bruce Wilcox

Mr. Wilcox holds a Master of International Management from the American Graduate School of International Management in Phoenix. His career as an investment company CEO, analyst and portfolio manager was spent primarily with Cumberland Associates, LLC, a New York equity fund, where he was a partner, and served as Chairman of the Managing Committee.

All members of the Audit Committee have the educational background and experience that provides them with the knowledge and ability to understand accounting policies and related financial reporting and disclosure issues, in order to fulfill their duties and responsibilities as an Audit Committee member.

Audit Committee Oversight - The Company's Board has adopted all recommendations by the Audit Committee with respect to the nomination and compensation of the external auditor.

Pre-Approval Policies and Procedures - The Audit Committee has adopted a formal policy requiring the pre-approval of all audit and non-audit related services to be provided by the company's principal auditor prior to the commencement of the engagement, subject to the following:

- the Audit Committee will review annually a list of audit, audit related, recurring tax and other non-audit services and recommend pre-approval of those services for the upcoming year. Any additional requests will be addressed on a case-by-case specific engagement basis;
- for engagements not on the pre-approved list, the Audit Committee has delegated to the Chair of the Committee the authority to pre-approve individual non-audit service engagements with expected costs of up to \$50,000 (annual aggregate total) subject to reporting to the Audit Committee, at its next scheduled meeting; and
- for engagements not on the pre-approved list and with expected costs greater than \$50,000 (annual aggregate total), the entire Audit Committee must approve this service, generally at its next scheduled meeting.

The following table sets forth the aggregate audit fees, audit-related fees, tax fees of our principal accountants and all other fees billed for products and services provided by our principal accountants for each of the fiscal years ended December 31, 2016 and 2015.

	2016	2015
Audit fees	\$125,250	\$ 126,000
Audit related fees – Colombia branch	8,910	9,288
Audit related fees – Bolivian branch	9,509	-
	143,669	135,288
Tax fees	28,847	30,390
Other Audit Related Fees	17,500	-
Total fees	190,016	165,678

Audit Committee's Pre-approval Policies and Procedures

Our Audit Committee nominates and engages our independent auditors to audit our financial statements. Our Audit Committee also requires management to obtain the Audit Committee's approval on a case-by-case basis before engaging our independent auditors to provide any audit or permitted non-audit services to the company or any of our subsidiaries. All fees shown have been pre-approved by the Audit Committee.

COMPENSATION COMMITTEE

Composition of the Compensation Committee

Messrs. Selby (Chair), and Valentine are members of the Compensation Committee, and are all independent. The charter or mandate of the Compensation Committee is posted on the company website and may viewed at www.nxtenergy.com or you may request a copy be mailed to you by writing to our offices at Suite 1400, 505 – 3rd Street SW, Calgary, Alberta, Canada, T2P 3E6.

Responsibilities of the Compensation Committee

The Compensation Committee's duties, as outlined in its charter, are to deal with the assessment of management and succession to key positions and compensation within the company. The Compensation Committee shall assist the Board in discharging the Board's oversight responsibilities relating to the compensation and retention of key senior management employees, and in particular the CEO, with the skills and expertise needed to enable the company to achieve its goals and strategies at fair and competitive compensation and appropriate performance incentives. In discharging its responsibilities, the Compensation Committee will report and, where appropriate, make recommendations to the Board in respect of the matters identified in the charter.

STRATEGIC PLANNING COMMITTEE

Composition of the Strategic Planning Committee

Messrs. Tilson (Chair), Selby and Wilcox are members of the Strategic Planning Committee, and are all independent. The Committee was formed in 2015 to assist the company with addressing long range planning considerations, including plans for growth and management succession.

10. MAJOR SHAREHOLDERS

The following table sets forth information concerning the beneficial ownership of our common shares as of March 31, 2017 by persons who beneficially own 5% or more of the outstanding common shares of NXT, each person who is a director of NXT, each executive officer, and all directors and executive officers as a group. For the purposes of this form, a person is considered to be a "beneficial owner" of common shares in the company if that person has, or shares with another person, the power to direct the vote or disposition of the common shares or to receive the economic benefit of ownership of the common shares.

A person is also deemed to be a beneficial owner of a common share if that person has the right to acquire the share within 60 days by option or other agreement (whether or not, in the case of a stock option, the current market price of the underlying common share is below the stock option exercise price). Therefore, the table below also reflects, for each such beneficial owner, the number of options exercisable into common shares within 60 days of March 31, 2017 that are owned by each beneficial owner, but, in determining the percentage ownership and general voting power of such person, does not assume the exercise of options or the conversion of securities owned by any other person.

We believe that the beneficial owners of common shares listed below, based on information they furnished, have sole voting and investment power over the number of shares listed opposite their names. The percentage of beneficial ownership is based on 53,856,509 common shares issued and outstanding as of March 31, 2017. This total of 53,856,509 excludes all outstanding options and warrants that are exercisable within 60 days of March 31, 2017 (which is adjusted for each individuals' % purposes as noted in footnote 5 below).

Beneficial Ownership of Directors and Officers (“D&O”)	Beneficially Owned as at March 31, 2017	Percent of Common Shares ⁵
Directors and Officers:		
George Liszicasz ^{1&2}	15,347,490	26.9 %
Mickey S. Abougoush ¹	195,000	* ³
Charles Selby ¹	623,161	1.1 %
John Tilson ¹	2,939,348	5.1 %
Thomas E. Valentine ¹	130,000	* ³
Bruce Wilcox ¹	281,350	* ³
Beverly Stewart ²	61,000	* ³
Total D & O Common Shares	19,577,349	34.3 %

Major Shareholders (> 5%):

Mork Capital Management, LLC., and Michael Mork ⁴	3,760,610	7.0 %
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¹ Director of NXT

² Officer of NXT

³ Beneficially owns less than one percent of the total outstanding common shares.

⁴ based on information provided to the company as at March 20, 2017 by Mork Capital Management, LLC. and its principal, Mr. Michael Mork.

⁵ For each beneficial owner’s percentage of common shares calculation, it is assumed that any stock options that they hold which are or will become exercisable within 60 days of March 20, 2017 have been exercised (while also assuming that no one else similarly exercises), and such options are thus included in both the numerator and denominator for purposes of each of their own individual calculations as follows:

	common shares held	vested & exercisable options	Pro forma total
Liszicasz	15,202,490	145,000	15,347,490
Abougoush	80,000	115,000	195,000
Selby	408,161	215,000	623,161
Tilson	2,833,748	105,600	2,939,348
Valentine	-	130,000	130,000
Wilcox	184,400	96,950	281,350
Stewart	11,000	50,000	61,000
	18,719,799	857,550	19,577,349

Major changes in the last 3 years in the percentage ownership of persons who beneficially own (as at the respective December 31, year-end dates) 5% or more of the outstanding common shares of NXT were:

- in May 2013, George Liszicasz acquired 2,000,000 common shares upon conversion of an initial total of 2,000,000 of the 10,000,000 preferred shares which he held.
- In August 2015, the remaining 8,000,000 preferred shares were converted into 8,000,000 common shares issued to George Liszicasz pursuant to completion of the acquisition of the SFD® technology under the terms of the TTA.
- In 2014, John Tilson exercised 200,000 US\$ Warrants to acquire 200,000 NXT common shares at an exercise price of US \$1.20 per common share. The US\$ Warrants had been acquired in 2012 through participation in a \$3.2 million private placement equity financing by NXT, under which Mr. Tilson acquired 200,000 “Units”

(which consisted of one common share and one US\$ Warrant, expiring in 2014, to acquire a common share at a price of US \$1.20) at a price of US \$0.75 per Unit.

11. RELATED PARTY TRANSACTIONS

Summarized below are certain other transactions and business relationships between NXT and persons who are related parties, for the current fiscal year ended December 31, 2016 through the March 31, 2017:

- Details of stock options which have been granted to related parties during the above noted period are included above. Details of stock options which have been exercised by related parties are noted below.
- One of the members of NXT's Board of directors is a partner in a law firm which provides legal advice to NXT. In 2016, NXT incurred legal expenses of \$62,645 with this firm, for which a total of \$10,443 is included in accounts payable as at December 31, 2016.
- Accounts payable and accrued liabilities at December 31, 2016 includes a total of \$46 related to reimbursement of expenses owing to persons who are directors and officers of NXT.
- There were no stock options to acquire common shares of the company exercised in 2016 by persons who were directors or officers of NXT as at the date of their exercise. Mr. Krishna Vathyam exercised a total of 157,500 stock options subsequent to his resignation from the Board, which was effective November 28, 2016.

11.1 Technology Transfer Agreement (TTA)

Upon execution of the TTA on December 31, 2006, Mr. Liszicasz transferred all his rights and entitlements to the SFD® technology for use in the field of hydrocarbon exploration to NXT in exchange for receiving 10,000,000 non-voting, convertible preferred shares.

2,000,000 of these preferred shares became immediately convertible on a one-to-one basis into common shares of the company at the discretion of the holder. Effective May 22, 2013, Mr. Liszicasz formally converted these 2,000,000 preferred shares into 2,000,000 common shares.

The remaining 8,000,000 preferred shares were convertible on a one-to-one basis into common shares if NXT achieved the following cumulative revenue thresholds prior to the expiration of the TTA on December 31, 2015 (the "Maturity Date"):

- 2,000,000 shares, should cumulative gross revenue reach US \$50 million,
- an additional 2,000,000 shares, should cumulative gross revenue reach US \$100 million,
- an additional 2,000,000 shares, should cumulative gross revenue reach US \$250 million, and
- an additional 2,000,000 shares, should cumulative gross revenue reach US \$500 million.

An additional 1,000,000 common shares were issuable to Mr. Liszicasz if cumulative gross revenues would have exceeded US \$500 million.

NXT also had an option to choose to retain the SFD® technology by immediately converting all of the then outstanding preferred shares prior to the Maturity Date, and the independent members of the Board elected to do so effective August 31, 2015.

In the event that the conversion option had not been exercised by the Maturity Date, the preferred shares would have been redeemed for \$0.001 per share and NXT's rights to the SFD® technology would have reverted to the holder of the preferred shares.

Following the conversion, Mr. Liszicasz has continued to retain the rights to utilize the SFD® technology in all other potential field-of-use applications.

Separately, 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 were expected to become issued to him in 2015 upon future conversion of the preferred shares by their Maturity Date. Each of the Rights were subject to certain vesting provisions and entitled the holder to acquire from the Grantor one common share of NXT at a fixed exercise price of \$1.77. The Rights originally had an expiry date of December 31, 2015, which, effective that date, was extended by the Grantor to December 31, 2016.

A total of 365,000 of these Rights were granted in 2014 to certain directors and officers of NXT, and a total of 430,000 Rights were granted to NXT's employees and advisors. These Rights were supplemental to existing incentives which had been granted under NXT's stock option plan.

The Rights expired, unexercised on December 31st, 2016. They were not renewed.

11.2 Second Amended and Restated Technical Services Agreement (the "TSA")

In conjunction with the TTA, the TSA was executed on December 31, 2006, covering the terms of Mr. Liszicasz employment with the company. The TSA also had a term ending December 31, 2015, and will be replaced in 2017 by an industry standard Executive Employment Agreement for Mr. Liszicasz, which is in process of being finalized by the NXT Board.

12. TRANSFER AGENT

Our Transfer Agent is of Computershare Trust Company of Canada, located in Calgary, Alberta, Canada, the company's transfer agent for its common shares

13. MATERIAL CONTRACTS

There is one material contract, other than contracts entered into in the ordinary course of business, to which the company has been a party, for the two years immediately preceding publication of this annual report, and it is summarized elsewhere herein (see section 11.1 Technology Transfer Agreement).

14. LEGAL PROCEEDINGS

To the best of the company's knowledge, there are no legal or arbitration proceedings existing or pending which have had or may have, significant effects on the company's financial position or profitability and no such proceedings are pending or known to be contemplated by governmental authorities.

15. INTEREST OF EXPERTS

KPMG LLP are the auditors of NXT Energy Solutions Inc. and have confirmed with respect to the company, that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

16. ADDITIONAL INFORMATION

The company's consolidated financial statements are stated in Canadian dollars and are prepared in accordance with U.S. generally accepted accounting principles. Additional information relating to NXT can be found on SEDAR at www.sedar.com.

APPENDIX "A"

NXT ENERGY SOLUTIONS INC. AUDIT COMMITTEE CHARTER

INTRODUCTION

This charter (the "**Charter**") has been adopted to govern the composition, mandate, responsibilities and authority of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of NXT Energy Solutions Inc. (the "**Company**").

COMPOSITION AND PROCEDURES

1. The Committee shall be appointed by the Board and shall be composed of three directors, with at least two of whom being "independent" as required by the Business Corporations Act (Alberta) (the "**Act**").
2. The Board will appoint the chair of the Committee.
3. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
4. Meetings of the Committee shall be conducted as follows:
 - (a) the Committee shall meet, in person or by teleconference, at least four times annually at such times and locations as may be requested by the chair of the Committee. Notice of meetings to the members shall be the same as set out in the by-laws of the Company for meetings of the Board. The Auditors or any member of the Committee may request a meeting of the Committee; and
 - (b) management representatives may be invited to attend meetings (except private sessions with the Auditors as defined below).

PRIMARY RESPONSIBILITIES OF THE COMMITTEE

The primary responsibilities of the Committee are:

1. To recommend to the Board:
 - (a) the external auditor (the "**Auditors**") to be nominated for appointment by the shareholders of the Company for the purpose of preparing or issuing the Auditor's report or performing other audit, review or attest services for the Company; and
 - (b) the compensation of the Auditors.
2. To oversee the work of the Auditors in preparing or issuing the Auditor's report on the Company's annual consolidated financial statements or performing other audit, review or attest services for the Company including the resolution of disagreements between management of the Company and the Auditors regarding financial reporting.
3. To pre-approve, as required by the Act and subject to the exemptions in the Act, all non-audit services to be provided to the Company by the Auditors. The Committee may, in accordance with the requirements of the

Act, delegate to one or more members of the Committee the authority to pre-approve non-audit services to be provided by the Auditors, provided that all such pre-approvals of non-audit services shall be presented to the Committee at its first scheduled meeting following such pre-approval.

4. To review:
 - (a) the Company's unaudited quarterly consolidated financial statements for the first, second and third quarters of the Company's fiscal year ("**quarterly statements**") and the Company's audited annual consolidated financial statements ("**annual statements**");
 - (b) the Management's Discussion and Analysis ("**MD&A**") prepared in conjunction with the quarterly and annual statements; and
 - (c) all press releases to be issued by the Company with respect to its annual and quarterly earnings and press releases on other material financial reporting matters.
5. To satisfy itself that adequate procedures are adopted by the Company for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements other than the public disclosure referred to in section 4 above, and to regularly assess the adequacy of such procedures.
6. To satisfy itself that adequate procedures are adopted and oversee the maintenance of procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - (b) the confidential anonymous submission by employees of the Company and its subsidiaries of concerns regarding questionable accounting or auditing matters.
7. To review and approve the Company's and its subsidiaries' hiring policies regarding partners, employees and former partners and employees of the current and former Auditors of the Company and its subsidiaries.

AUTHORITY OF THE COMMITTEE

Subject to prior consultation with the Chief Executive Officer or the Chief Financial Officer (except in unusual circumstances), the Committee is authorized to:

1. engage independent counsel and other advisors it determines necessary to carry out the Committee's duties and responsibilities;
2. set and require the Company to pay the compensation and charged expenses for any advisors engaged by the Committee; and
3. communicate directly with any internal audit staff of the Company and its subsidiaries (if any) and the Auditors.

ADDITIONAL RESPONSIBILITIES AND DUTIES OF THE COMMITTEE

Auditors

1. The Committee shall ensure that the Company requires and instructs the Auditors to report directly to the Committee.
2. The Committee is responsible for ensuring the independence of the Auditors. On an annual basis, the Committee shall obtain a formal written statement from the Auditors delineating all relationships between the

Auditors and the Company and confirming the independence of the Auditors. This written statement shall be obtained in conjunction with the audit of the annual financial statements after each fiscal year end.

Review of Annual Financial Statements

The Committee shall review the annual financial statements and related MD&A of the Company prior to their public release and shall report the results of its review to the Board and make recommendations to the Board with respect to Board approval of the financial statements and related MD&A. At the Committee meeting at which the Company's annual financial statements are to be reviewed, the Committee shall meet, in person or by teleconference, with representatives of the Auditors and with the Company's management to assess and understand the annual financial statements and the results of the audit including, but not limited to:

1. that the Company's system of internal controls and financial reporting systems are adequate to produce fair and complete disclosure of its financial results;
2. that the Company's reporting is complete and fairly presents its financial condition in accordance with generally accepted accounting principles;
3. that accounting judgments and estimates used by management are reasonable and do not constitute earnings management;
4. that risk management policies are in place to identify and reduce significant financial and business risks; and
5. that the Company has in place a system to ensure compliance with applicable laws, regulations and policies.

Review of Quarterly Financial Statements

The Committee shall review the interim quarterly financial statements and related MD&A of the Company prior to their public release and shall report the results of its review to the Board and make recommendations to the Board with respect to Board approval of the quarterly statements and related MD&A unless the Board has delegated to the Committee the authority to approve the quarterly statements and related MD&A, in which case the Committee shall also approve the quarterly statements and related MD&A. The review by the Company shall be substantially completed prior to the issuance of a press release respecting the quarterly financial results. The Committee shall meet with the Company's management to assess and understand the interim quarterly financial statements and to discuss the results of their preparation and review.

Other Responsibilities and Duties

1. As part of the quarterly and annual reviews described above, the Committee will:
 - (a) meet with management in the absence of the Auditors for the annual review;
 - (b) meet with the Auditors in the absence of management for the annual review;
 - (c) review with management and the Auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
 - (d) review with management and the Auditors any significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - (e) review any problems experienced by the Auditors in performing the annual audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

- (f) obtain an explanation from management of all significant variances between comparative reporting periods;
 - (g) review the post-audit or management letter, containing the recommendations of the Auditors, and management's response and subsequent follow up to matters raised by the Auditors;
 - (h) review any evaluation of internal controls by the Auditors, together with management's response; and
 - (i) review and reassess the Charter for adequacy at least annually and make changes as it deems necessary.
2. In addition to the quarterly and annual reviews, the Committee will:
- (a) prior to the commencement of each annual audit, meet with the Auditors to review the Auditors' audit plan for the ensuing audit;
 - (b) review with management and the Auditors all material accounting and financial issues affecting the Company not dealt with in annual and quarterly reviews; and
 - (c) review annually and recommend changes to the Company's Code of Conduct & Business Ethics.
3. The Committee shall perform such other duties as may be required by the Board or as may be delegated to the Committee by the Board.

**APPENDIX “B”
to the Annual Information Form
dated 18th August, 2017**

**NXT ENERGY SOLUTIONS INC.
STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

Amended and Restated

The table below describes the Corporation’s corporate governance practices as compared to National Instrument 58-101F1.

Content of Provision	Governance Practices of the Corporation
Board of Directors	
Disclose the identity of directors who are independent.	The Board has determined that five of the six current directors are “independent” within the meaning of National Instrument 52-110. The five independent directors at the date of the AGM were M. S. (Mickey) Abougoush, Charles Selby, John Tilson, Thomas E. Valentine and Bruce G. Wilcox. Mr. Abougoush resigned as a director on the date of the AGM (June 21 st 2017) and has not been replaced. George Liszicasz is an “Executive Officer” of the Corporation within the meaning of National Instrument 51-102 and is therefore not independent.
Disclose the identity of directors who are not independent, and describe the basis for that determination.	
Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities.	
If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Such other directorships have been disclosed in this Information Circular. Please see “Election of Directors” in NXT’s Management Information Circular dated May 15, 2017 available online on SEDAR (the “ Information Circular ”).
Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer’s most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	The current Corporate Governance Committee is composed of three of the independent directors. The Corporate Governance Committee meets in person or by conference call at least monthly, or more frequently as required. Non-independent directors and members of management are not in attendance at these meetings. The Corporate Governance Committee also meets on an ad hoc basis where circumstances warrant.
Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or	George Liszicasz, the Chairman of the board, the CEO and the President, is an “Executive Officer” of the Corporation within the meaning of National Instrument 51-102 and is therefore not independent. Charles Selby is an independent director within the mean-

Content of Provision	Governance Practices of the Corporation
<p>her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.</p>	<p>ing of National Instrument 52-110, and in 2016, he was appointed as NXT’s independent Lead Director.</p> <p>The Lead Director is responsible for:</p> <ul style="list-style-type: none"> • facilitating the functioning of the Board independent of management and ensuring that directors have an independent leadership contact; • ensuring that the Board has adequate resources, especially by way of full, timely and relevant information to support its decision-making requirements; • assisting and providing input to the Executive Chairman on preparation of agendas for Board meetings as required; • consulting with the Executive Chairman on the effectiveness of Board committees; • ensuring that independent directors have adequate opportunities to meet to discuss issues without Management present; • chairing Board meetings when the Executive Chairman and CEO are not in attendance; • ensuring delegated committee functions are carried out and reported to the Board, for example, the CEO performance assessment, CEO and Board succession planning, and strategic planning; and • acting as a liaison between the Board and management.
<p>Disclose the attendance record of each director for all board meetings held since the beginning of the issuer’s most recently completed financial year.</p>	<p>The attendance records for all board meetings has been disclosed in this Information Circular. Please see the section under the heading “Corporate Governance” in the Information Circular for more details.</p>

Board Mandate	
Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	The NXT Board of Directors' Mandate is appended hereto as Appendix "C"
Position Descriptions	
Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	Written position descriptions have been developed for the Executive Chairman, the Lead Director and for the Chair of each Board committee as well as for the CEO and Chief Financial Officer. In addition, both current and newly elected members of the Board are provided a briefing note, prepared by the Governance Committee, which describes the roles and responsibilities of Board members, sub-committee chairs, and executives.
Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.	A written position description has been developed for the CEO by the Corporate Governance Committee of the Board. In addition, both current and newly elected members of the Board are provided a briefing note, prepared by the Governance Committee, which describes the roles and responsibilities of Board members, sub-committee chairs, and executives.
Orientation and Continuing Education	
Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business.	New directors meet with the Board and senior management to discuss the business activities of the Corporation and are given the opportunity to familiarize themselves with the Corporation and gain insight into the Corporation's business, business plans and operations by visiting the Corporation's offices and reviewing SFD® survey documentation and processes.
Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	In addition, both current and newly elected members of the Board are provided a briefing note, prepared by the Governance Committee, which, among other things, serves as a both an orientation for new Board members and an update for existing Board members with respect to relevant topics in corporate governance.
Ethical Business Conduct	
Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	NXT has adopted a Code of Conduct and Business Ethics for all directors, officers, employees and consultants. The Code of Conduct and Business Ethics is available on NXT's intranet site. Additionally, the Code of Conduct and

<p>(i) disclose how a person or company may obtain a copy of the code;</p> <p>(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and</p> <p>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>Business Ethics are available on the Corporation's website at www.nxtenergy.com. The Code of Conduct and Business Ethics are also filed on SEDAR. Lastly, should anyone wish a hard copy of any of these policies, they may be obtained on request from the Corporate Secretary at 3700 – 400 3rd Avenue SW, Calgary, Alberta T2P 4H2.</p> <p>Compliance is monitored by the Audit Committee receiving, annually, certificates from NXT's officers and senior management confirming their compliance with the Code of Conduct and Business Ethics. The Audit Committee reviews the certifications and reports to the Board. In addition to the annual certification of the officers, each employee and consultant receives annually a communication from management or Human Resources reiterating the need to comply with the Code of Conduct and Business Ethics.</p>
<p>Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p>Directors must disclose all interests and relationships of which the director is aware which may give rise to a conflict of interest. Directors are also required to disclose any actual or potential personal interest in a matter on which the Board is making a decision and withdraw from deliberations and voting on the matter.</p>
<p>Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</p>	<p>All Board members as well as all employees have received a copy of NXT's Code of Conduct & Business Ethics (the "Code") and have signed a Certification of Compliance Form acknowledging their understanding and compliance with the Code. The Code provides guidance in a number of areas to ensure fair, ethical, lawful and consistent conduct by the Corporation and its employees. The Code specifically deals with business ethics, employment practices, insider trading and conflicts of interest.</p>
<p><i>Nomination of Directors</i></p>	
<p>Describe the process by which the board identifies new candidates for board nomination.</p>	<p>The Chairman of the Board, in consultation with the Board, is responsible for proposing new nominees to the Board. The Governance Committee, in its discussions with the Board, will determine what competencies and skills the Board considers necessary to discharge its duties and will identify potential candidates based on the skills required to fulfill its needs. Other factors considered by the Board are an individual's experience, expertise, and reputation.</p> <p>NXT does not have a nominating committee, however the Governance Committee is composed entirely of independent directors and is charged with recommending new candidates for nomination to the Board.</p>
<p>Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.</p>	
<p>If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	
<p><i>Compensation</i></p>	

Describe the process by which the board determines the compensation for the issuer's directors and officers.	The Compensation Committee has the primary responsibility for determining compensation for the directors and senior officers with the objective of ensuring the compensation package is fair and consistent with industry practices. Where appropriate the Compensation Committee will engage outside compensation consultants to obtain industry comparisons and receive independent recommendations. The Compensation Committee is composed entirely of independent members.
Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.	
If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The Board has adopted a formal mandate for the Compensation Committee, which provides that the Compensation Committee is responsible for reviewing and approving the compensation of the directors and officers of the Corporation. The Compensation Committee also reviews and approves changes to the Corporation's compensation policies and approves the hiring of executive management recruited from outside the Corporation.
Other Board Committees	
If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	The Corporation has two other standing committees; Corporate Governance Committee and Disclosure Committee. The description of committee functions have been disclosed in the "Corporate Governance" and "Disclosure Committee" sections of the Information Circular.
Assessments	
Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.	In 2014, the Governance Committee initiated an annual Board member "self-assessment" and feedback review process, the results of which are summarized and discussed amongst the Board. The annual self-assessment process for the year ended 2016 is currently in process.
Director Term Limits and Other Mechanisms of Board Renewal	
Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, dis-	There is currently no formal term limit in place for members of the Board, however the Board is elected annually by NXT shareholders. The Governance Committee is tasked with ensuring members of the Board are fit to serve as members of the Board, and to ensure members of the Board stay current on corporate governance trends.

close why it has not done so.	
<i>Policies Regarding the Representation of Women on the Board</i>	
<p>(a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.</p> <p>(b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) a short summary of its objectives and key provisions, (ii) the measures taken to ensure that the policy has been effectively implemented, (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.</p>	<p>The Board has not adopted a written policy relating to the identification and nomination of women directors, as it believes that the interests of NXT and its shareholders are best served by ensuring that new directors are identified and selected from the widest possible group of potential candidates, without any restrictions or preferences relating to gender. The Board feels that having written policies governing the selection of Board nominees could unduly restrict the Board's ability to select the most capable candidates. NXT is committed to ensuring that its Board at all times has the required range of skills, knowledge, experience and perspectives to provide the strategic direction and leadership necessary for NXT to achieve its business objectives.</p>
<i>Consideration of the Representation of Women in the Director Identification and Selection Process</i>	
<p>Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.</p>	<p>Given NXT's belief that candidates for directors should be identified and selected from the widest possible group of qualified individuals, the level of representation of women on the Board is not considered in identifying and nominating candidates for election or re-election to the Board.</p>
<i>Consideration Given to the Representation of Women in Executive Officer Appointments</i>	
<p>Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.</p>	<p>NXT's position with respect to the representation of women in executive officer positions is the same as its position with respect to the representation of women on the Board. It believes that people should be hired and promoted based on their professional qualifications, accomplishments and merit. Accordingly, the level of representation of women in executive officer positions is not considered in making executive officer appointments.</p>

Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

(a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.

(b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.

(c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.

(d) If the issuer has adopted a target referred to in either (b) or (c), disclose: (i) the target, and (ii) the annual and cumulative progress of the issuer in achieving the target.

The Board has not adopted a target regarding women on the Board or in executive officer positions for the reasons set out above. The Board feels that adopting such a target could unduly restrict NXT's ability to identify and select the most qualified people.

Number of Women on the Board and in Executive Officer Positions

(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.

(b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.

NXT currently has no women on the Board. Of NXT's two (2) person management team, one (1) member, Beverly Stewart, is a woman.

APPENDIX C

Board of Directors Mandate

Purpose

The principal role of the Board of Directors of NXT Energy Solutions Inc. (the “**Company**”) is stewardship of the Company through the creation of shareholder value, including the protection and enhancement of the value of its assets, as the fundamental objective. The stewardship responsibility means that the Board oversees the conduct of the business and management, which is responsible for the day-to-day conduct of the business. The Board must assess and ensure systems are in place to manage the risks of the Company’s business with the objective of preserving the Company’s assets. The Board, through the Chief Executive Officer (“**CEO**”), sets the attitude and disposition of the Company towards compliance with applicable laws, environmental, safety and health policies, financial practices and reporting. In addition to its primary accountability to shareholders, the Board is also accountable to employees, government authorities, other stakeholders and the public.

PRIMARY RESPONSIBILITIES

The principal responsibilities of the Board, which are required to ensure the overall stewardship of the Company are as follows:

1. The Board must ensure that there are long-term goals in place and must adopt a strategic planning process. The CEO, with the approval of the Board, must establish long-term goals for the Company. The CEO formulates the Company’s strategy, policies and proposed actions and presents them to the Board for approval. The Board brings objectivity and judgment to this process. The Board ultimately approves, on an annual basis, the strategic plan which takes into account, among other things, the opportunities and risks of the Company’s business.
2. The Board must identify and have an understanding of the principal risks associated with the Company’s businesses, and must ensure that appropriate systems are in place which effectively monitor and manage those risks.
3. The Board must ensure that processes are in place to enable it to monitor and measure management’s, and in particular the CEO’s, performance in achieving the Company’s stated objectives. These processes should include appropriate training, development and succession planning of management.
4. To the extent feasible, the Board shall satisfy itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the Company.
5. The Board must ensure that the necessary internal controls and management systems are in place that effectively monitor the Company’s operations and ensure compliance with applicable laws, regulations and policies.
6. The Board must monitor compliance with the Company’s Code of Business Conduct and Ethics; and

7. The Board must ensure the Company has adopted a communication policy which effectively communicates with and receives feedback from shareholders. The Board must also ensure that the Company has appropriate processes in place to effectively communicate with employees, government authorities, other stakeholders and the public.

NON-DELEGABLE RESPONSIBILITIES

Pursuant to the Business Corporations Act (the “Act”), certain matters are considered to be of such importance, so as to warrant the attention of all Directors and, accordingly, the Act prescribes that the following matters either cannot be delegated or may only be delegated in a qualified or partial manner:

- the submission of items to shareholders for their approval.
- the filling of a vacancy among the directors or in the office of auditor.
- the appointment of additional directors.
- the issue of securities.
- the declaration of dividends.
- the purchase, redemption or other acquisition of the Company’s own shares.
- the payment of certain commissions prescribed by the Act.
- the approval of a management proxy circular.
- the approval of annual financial statements.
- the adoption, amendment or repeal of by-laws.

CUSTOMARY BOARD MATTERS

The following typifies matters customarily considered by the Board in fulfilling its responsibility for stewardship of the Company. The Board may determine it appropriate to delegate certain of these matters to committees of the Board:

- the appointment of officers, other than executive officers;
- adopting a process to consider the competencies and skills the Board, as a whole, should possess and assess the competencies and skills of each Board member and consider the appropriate size of the Board, with a view to facilitating effective decision-making;
- determining the remuneration of directors and auditors;
- reviewing and recommending to shareholders, changes to capital structure;
- approving the Company’s long term strategy and the annual capital expenditure plan of the Company and its subsidiaries and where appropriate any supplementary capital plan;
- approving banking, borrowing and investment policies;
- determining dividend policy;

- developing the Company’s approach to corporate governance including, without limitation, developing a set of corporate governance principles and guidelines;
- approving the holding, location and date of meetings of shareholders;
- appointment of members to committees of the Board of Directors and approving terms of reference for and the matters to be delegated to such committees;
- granting any waivers from the Company’s Code of Business Conduct and Ethics for the benefit of the Company’s directors or executive officers;
- granting and delegating authority to designated officers and employees including the authority to commit capital, open bank accounts, sign bank requisitions and sign contracts, documents and instruments in writing;
- determining the number of directors and recommending nominees for election by the shareholders;
- approving amendments to the Company’s existing plans: Stock Option Plan, employee benefits plans, or such other plans as the Company approves from time to time;
- approving the acquisition or disposition of certain corporate assets; and
- appointing the Company’s transfer agents and registrars.

BOARD COMMITTEES

The Board of Directors has the authority to appoint a committee or committees of the Board and may delegate powers to such committees (with the exceptions prescribed by the Act). The matters to be delegated to committees of the Board and the constitution of such committees are assessed annually or more frequently as circumstances require. The following committees have been constituted:

1. the Audit Committee, to deal with financial reporting and control systems;
2. the Compensation Committee, to deal with the assessment of management and succession to key positions and compensation within the Company;
3. the Disclosure Committee, to deal with the Company’s approach to disclosure and the promotion of compliance; and
4. the Corporate Governance Committee, to deal with the Company’s approach to corporate governance and the promotion of compliance.

COMPOSITION & PROCEDURE

The Board of Directors is elected annually by shareholders. The number of Directors to be elected at shareholders meetings is fixed by the by-laws. While the election of directors is ultimately determined by the shareholders, it is the policy of the Board that a majority of the Directors be independent (as defined under applicable stock exchange rules and securities laws).

The Chairman of the Board presides as Chair at all meetings of the Board and shareholders of the Company. The Corporate Secretary or the Recording Secretary attends all meetings of the Board and shareholders.

ers and records the proceedings thereof. The Corporate Secretary prepares and keeps minutes and records of all meetings of the Board.

Meetings of the Board of Directors, including telephone conference meetings, are to be held at such time and place as the Chairman of the Board, or any two Directors, may determine. Notice of meetings shall be given to each Director in accordance with the by-laws. Meetings of the Board of Directors may be held without formal notice if all of the Directors are present and do not object to notice not having been given, or if those absent waive notice in any manner before or after the meeting.

Notice of meeting may be delivered personally, given by mail, facsimile or other electronic means of communication.

Each Board member is expected to attend Board meetings and meetings of committees of which he or she is a member and to become familiar with deliberations and decisions as soon as possible after any missed meetings. In that regard, members of the Board are expected to prepare for Board (and committee) meetings by reviewing meeting materials distributed to members of the Board, to the extent feasible, in advance of such meetings. Matters of a confidential or sensitive nature may be discussed at Board (or committee) meeting without advance distribution of meeting materials to members of the Board. It is expected that members of the Board will actively participate in determining and setting the long and short term goals and interests of the Company.

In recognition of its independence, the Board shall regularly hold discussions without management present.

A resolution in writing signed by all the Directors entitled to vote on that resolution at a meeting of the Directors is as valid as if it had been passed at a meeting of the Directors. A copy of any such resolution in writing is kept with the minutes of the proceedings of the Directors.

At meetings of the Board, any matter requiring a resolution of the Directors is decided by a majority of the votes cast on the question; and in the case of an equality of votes, the Chair of the meeting is entitled to a second or casting vote.

The Board shall ensure that there is a process in place for annually evaluating the effectiveness of the Board, the committees of the Board and individual directors.

COMPENSATION

No Director, unless he or she is an officer of the Company, should receive remuneration from the Company other than compensation received in his or her capacity as a Director.