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<u>AN INTERVIEW WITH MICHAEL BAKER</u>
<u>AND JEROME HASS OF LIGHTWATER PARTNERS LTD.</u>
(As of June 4, 2015)

Russ Dratwa: Why don't you tell us about your firm?

Michael Baker: I'd be happy to...Lightwater Partners was founded in 2007 and we launched our first fund in January 2008, an inauspicious time considering the financial markets then. We ended up being one of the few Canadian Hedge Funds to post a positive return that year, perhaps showing some people we might be doing something different here.

Our focus is providing steady, absolute returns that have a low volatility and are low in correlation to the Index. We've two funds, the Lightwater Long Short Fund – which has a 7.5 year track record now – and the Nimble Fund, which we started in March of 2013. Both funds are off to a good start this year. As of April, the Lightwater Fund is up 8.5% YTD while the Nimble Fund is up 58% YTD, net of all fees.

Our sweet spot is Canadian mid-cap equities, companies with a market cap between $200 Million and $2.5 Billion. They're typically less known and inefficiently priced but offer a more attractive risk/return profile in our opinion. The liquidity is typically better in these names too versus the smaller caps, which is import to us – if things go wrong, we can exit a position much easier.

Russ Dratwa: Can the average investor purchase these funds? Or is it for accredited investors?

Michael Baker: Accredited investors can purchase our funds & recent rule changes also permit Discretionary Portfolio Managers to purchase our funds if they deem it appropriate for their clients.

About NXT Energy Solutions (SFD: tsx-v)

We first invested in NXT Energy Solutions about 3 ½ years ago. It was easy to get excited about their technology. In short, they apply quantum mechanics to aerial survey work. They fly their instrument over a prospective exploration block using a Cesna Citation 500 jet from an altitude of 10,000 feet. Their objective is to locate and rank trapped liquid anomalies, either on-shore or off, in easy or difficult terrain. They've been successful and can do it faster and cheaper – 1/30 the cost actually - than traditional 2D and 3D seismic. This technology can help materially reduce the finding costs of exploration companies, plain and simple!

Pacific Rubiales was the first to give them a shot, allowing them to fly a blind test. NXT not only found the anomaly previous known by Pacific Rubiales but they also discovered a new, unknown one. They've since used it a number of times. In 2012, the National Oil Company of Mexico, PEMEX, spent over $6 Million blind-testing the technology, ultimately co-authoring a joint-technical paper in 2013 validating that it works. Later that year, Pakistan Petroleum Ltd or PPL, also published a joint-technical paper further validating the technology.

In January, the company was awarded a $1.44 Million USD contract with the National Oil Company of Pakistan and just last month, they were awarded a whopping $13.4 Million USD contract with the National Oil Company of Bolivia, their largest contract ever.

Russ Dratwa: Mike, when dealing with these resource-based technologies like you said, they are not a direct-resource company but their focus is there. A lot of these firms when discussing "contracts" don't disclose what are "fee-free trials" with payment based on success. With NXT, when talking contracts, are you talking coin in the till that is actually going to the bottom line? There is one firm I remember very well that would always talk about additional "contracts" but turned out, they were lending the tools out fee-free to try & then hope for a paid contract so who cares. That's now an expense, now a revenue generator.

Michael Baker: I understand Russ but these are real contracts and they receive real payment in return. On a typical contract, they'll get paid approximately 10-20% of the value of the contract up front with 40% received following the completion of flying. The balance is received after the final report is submitted. The entire process typically takes 2-4 months depending on the contract size. They also use Export Development Canada to insure portions of the outstanding foreign receivables. NXT is hired to guide the exploration company where best to apply traditional 2D and 3D seismic resources. They get paid regardless of what is found. Having said that, their technology has had a very high accuracy rate versus anything else out there currently being used to find trapped liquids.

Russ Dratwa: And its huge margins I see.

Michael Baker: The margins are very high, typically 80% or greater, which is quite attractive. This is why we like the story so much. They charge approximately $1,600.00 per line km. Traditional seismic can run anywhere from $30,000 to $80,000 per line km depending on the terrain. So they have room down the road to increase prices and still be very inexpensive. We also like the vertical opportunities the company is working on. They accumulate data for their library every time the plane is in the air, now they're attempting to monetize it. The idea is to form an exploration company that gets seeded by others but is non-dilutive to NXT. They'll provide the data in exchange for equity. If oil is discovered, NXT could potentially benefit from future royalties and aerial survey work in addition to a valuation lift derived from their equity position. It's early days but still interesting to follow.

Russ Dratwa: I am impressed by the prediction rate results and I don't really want to get into the technical side of it because it will be beyond me but it is pretty fascinating the seeming reliability of this.

Jerome Hass: None of us have the technical abilities to understand the technology. What we rely on for validation are the companies that use it – they are willing to pay for it and have seen that it works. The oil and gas industry is very slow to adopt new technology but the fact is that Pemex are big believers in technology and have written a technical paper with NXT on it. The National Oil Company of Pakistan has done so as well.

Russ Dratwa: The things that are important to me in this environment are no debt-doesn't appear to be any? Cash flow – they have cash flow? So the only uncertainty is when I hear the word "potential" with the contracts and royalties, how do you value this? Can you put a number on it?

Jerome Hass: Absolutely. Here's how you value it: you value it based on actual earnings. Do they get paid? They definitely get paid, so it is very simple to value this company.

Russ Dratwa: Do they have enough of a track history that will give you a bit of a growth pattern?

Jerome Hass: Yes, we can look to see what they've earned and what we think they can earn going forward. Given the growth profile of this company, we think the current share price is actually very attractive. We find it very easy to model a $5.00 valuation on the company.

Russ Dratwa: Five dollar valuation? That's the first I've heard of..where did that come from?

Jerome Hass: Well we think the company can deliver in the future going forward. It doesn't take very much to get a $5.00 valuation on a stock when you've got 80 – 85% margins in your business.

Russ Dratwa: Does anyone cover this story on the street?

Michael Baker: Only one brokerage firm does, Mackie Research.

Russ Dratwa: Any questions I should be asking?

Jerome Hass: I guess the one question – why is it trading near five-year highs? There are not too many energy-related names that are trading at that level and I think it's a reflection of the potential that the company has and the realization that if they can deliver on a quarter of their potential contracts they have in the next year or two, this stock has a lot of upside to it.

Russ Dratwa: Who are the big believers in the stock? Who is holding it?

Michael Baker: There are not too many institutions in it right now. As far as we know, we are the only institution in Canada involved in the name. There are some very high net-worth individuals, primarily in the U.S. involved but otherwise it's under-covered and unknown.

Russ Dratwa: Gentlemen, much appreciated.