



# **ENERGY EXPLORATION TECHNOLOGIES INC**

**As at and for three and nine months ended September 30, 2007**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following management's discussion and analysis ("MD&A") was prepared by management based on information available as at October 2, 2007. This interim MD&A is an update from our annual MD&A for the year ended December 31, 2006 and should be reviewed in conjunction with the audited year-end Consolidated Financial Statements that are available on SEDAR at [www.sedar.com](http://www.sedar.com) and our website at [www.nxtenergy.com](http://www.nxtenergy.com).

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

Our reporting currency is the United States of America dollar. All references to "dollars" in this MD&A refer to United States or U.S. dollars unless specific reference is made to Canadian or Cdn. dollars. The rate of exchange of Canadian dollars to United States dollars as of September 30, 2007 was Cdn. \$0.9948 to U.S. \$1.00 (December 31, 2006 - Cdn. \$1.163 to U.S. \$1.00).

### **Forward-Looking Statements**

Certain statements in this document may constitute "forward-looking statements". These forward-looking statements can generally be identified as such because of the context of the statements including words such as "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

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

### **Description of Business**

NXT is a Calgary based technology-driven energy services company in the business of providing wide-area airborne exploration services to the oil and gas industry. The Company utilizes its proprietary Stress Field Detection ("SFD") Survey System to offer its clients a unique, low cost service to rapidly identify sub-surface structures with reservoir potential in sedimentary basins. The value of the service is providing clients with an efficient, cost effective method of surveying large areas and identifying prospective areas with high potential. The SFD-based exploration process substantially reduces the need for two dimensional reconnaissance seismic thus saving clients time and money. SFD surveys are environmentally non-invasive, do not require permitting and can be utilized year round in onshore and offshore operations with immunity to any surface conditions. NXT offers its services world-wide with the objective of providing its clients an efficient, accurate and reliable method to explore for hydrocarbons.

### **Overall Performance**

In the first nine months of 2007 we completed three SFD survey contracts with a value of \$2,958,243. SFD survey contracts include provisions for the Company to be granted Gross Overriding Royalty Rights ("GORR") on any land developed by clients as a result of information derived from SFD surveys. The completion of these contracts has resulted in the Company generating cash from operating activities in the nine months ended September 30, 2007.

As at September 30, 2007 the Company has an SFD contract back log of Cdn \$8,500,000 and these contracts are scheduled for completion throughout the fourth quarter of 2007 and the first half of 2008.

## Results of Operations

### Net Income (Loss )

	For the three months ended Sep. 30,		For the nine months ended Sep. 30,	
	2007	2006	2007	2006
Revenue	\$ 484,970	\$ 7,378	\$ 2,982,920	\$ 28,257
Expense	926,195	550,035	2,577,346	2,014,299
Income (loss) before other expenses and taxes	(441,225)	(542,657)	405,574	(1,986,042)
Other income (expense)	(172,728)	31,565	(271,019)	(950,261)
Net income (loss )	\$ (613,953)	\$ (511,092)	\$ 134,555	\$ (2,936,303)

For the three months ended September 30, 2007 we had net loss of \$613,953 compared with a loss in the same period in 2006 of \$511,092 representing an increased loss of \$102,861. Revenue in Q3 2007 exceeded Q3 2006 by \$477,592 due to the completion of a third SFD survey contract. Expenses in Q3 2007 were higher than the same period in 2006 by \$376,160. The bulk of the increase was administrative costs in the areas of salary, stock based compensation, audit fees, rent and recruitment. Other income (expense) for Q3 2007 was an expense of \$172,728 (Q3 2006 - \$31,565 income on convertible debentures) and consisted of \$25,400 interest income derived largely from interest income on short term investments and offset by an unrealized foreign exchange loss of \$193,234.

For the nine months ended September 30, 2007 we had net income of \$134,555 compared to the September 30, 2006 net loss of \$2,936,303. This represents an overall increase of \$3,070,858. Revenue increased by \$2,954,663 to \$2,982,920. Increased expenses in Q3 2007 were mainly in the administrative areas of salary, stock based compensation, audit fees, computer upgrades, recruitment and rent which were slightly offset by a decrease in consulting fees. Interest on convertible debentures was \$138,332 for the first nine months of 2007 (Q3 2006 - 941,504), a reduction of \$803,172. With the last of the debentures being converted in Q1 2007, all that remains to be accounted for on an on-going basis is the registration penalty. We accounted for a unrealized exchange loss of \$193,234 in 2007 (2006 - Nil) due to the recent strength of the Canadian dollar against the U.S. dollar. The exchange gains related to the conversion of our Canadian denominated accounting net assets to U.S. dollars for reporting purposes is reflected in Comprehensive Income.

### Survey Revenue

Revenues from SFD survey contracts are reflected in the Consolidated Statement of Income (Loss) in accordance with our accounting policy of recognizing revenue on a completed contract basis. Prior to completion, all monies received or invoiced for the contract are reflected on the Balance Sheet as Unearned Revenue. All costs incurred for the contract are reflected on the Balance Sheet as Work-in-Progress. In accordance with this policy we have recognized \$2,958,243 (Q3 2007 - \$478,103; 2006 - Nil) of survey revenue and \$338,195 of survey costs to date for 2007 (\$29,021- 2006).

### Oil and Natural Gas Revenue

	For the three months ended Sep. 30,		For the nine months ended Sep. 30,	
	2007	2006	2007	2006
Gross overriding royalty rights (GORR)	\$ 1,040	\$ -	\$ 3,399	\$ -
Oil and natural gas revenue; net of royalty expense	5,827	7,378	21,278	28,257
Revenues; net of royalty expense	\$ 6,867	\$ 7,378	\$ 24,677	\$ 28,257
Production average in thousand cubic feet (mcf) per day	12	18	17	18
Average price received net of royalties per mcf	\$ 5.48	\$ 5.16	\$ 5.85	\$ 6.17
Average operating cost per mcf	\$ 0.67	\$ 0.86	\$ 0.78	\$ 0.71

Total operating revenue including royalty income and net of royalty expense for Q3 2007 was \$6,867 (YTD 2007 - \$24,677) compared to Q3 2006 of \$7,378 (YTD 2006 - \$28,257). Gross production revenue for Q3 2007 was \$6,258 (YTD 2007 - \$26,965) compared to \$8,504 for Q3 2006 (YTD 2006 - \$30,900). The decrease in period-over period production is due to natural decline that we anticipate to continue until the well is fully depleted.

Survey generated revenue entitles the Company to a GORR for any future production resulting from the SFD survey. There is currently one producing well that began paying GORR in 2007 (Q3 2007 - \$1,040 and YTD 2007 - \$3,399) related to a non-revenue SFD survey conducted in prior years. There can be no certainty that any GORR revenue will be generated from the 2006 and 2007 revenue surveys, however our clients are actively pursuing exploration programs on areas identified by SFD surveys.

#### Expenses

	For the three months ended Sep. 30,		For the nine months ended Sep. 30,	
	2007	2006	2007	2006
Survey cost	\$ 26,120	\$ (34)	\$ 338,195	\$ 29,021
Oil and natural gas operating expenses	815	1,932	2,805	3,678
Administrative	856,336	520,234	2,141,556	1,891,992
Depletion and impairment of oil and natural gas properties	5,363	5,650	14,802	41,200
Amortization and depreciation	37,561	22,253	79,988	48,408
	<b>\$ 926,195</b>	<b>\$ 550,035</b>	<b>\$ 2,577,346</b>	<b>\$ 2,014,299</b>

Expenses - for the three months and nine months ended September 30, 2007 and 2006

- To date in 2007 we have had survey costs of \$338,195 (\$29,021 - Q3 2006) which includes commissions on sales of \$156,762 (Q3 2007 - \$25,131). All survey costs in 2007 relate to revenue generating SFD survey contracts. The 2006 costs were for expenses incurred in preparation for survey contracts.
- The administrative cost increase of \$249,564 in the first nine months of 2007 (Q3 2007 - \$336,102) in comparison to the first nine months of 2006 relates mainly to an increase in salary of \$246,900 for additional staff and salary reassessments, an increase in audit and review fees of \$121,000, an increase of \$56,000 for upgrades to computer hardware and software, recruitment fees for ongoing staffing requirements, and an increase in rent of \$60,000 which reflects the significant lease rate increase in Calgary. In addition the Fair Market Value of contractors' stock based compensation increased by \$33,000 in the three months ended September 30, 2007 based upon a revaluation of options following an increase in the company's share price. These increases were offset by a decrease in investor relation and consulting expenses of \$254,000.
- Depletion and Impairment - unproved properties are assessed for any impairment to value. We determine the average price recently paid per acre for similar properties in the open market and then discount these prices to adjust for the reduced life remaining on our leases. The decrease of \$26,398 (Q3 2007 - \$287) in these expenses relates mainly to March 31, 2006 impairment write-downs of expenditures related to an unsuccessful development well that was immediately abandoned.
- The Company upgraded servers, computers and software to facilitate interpretation of SFD surveys resulting in an increase of \$31,580 (Q3 2007 - \$15,308) in amortization and depreciation costs.

#### Other Expense (Income)

	For the three months ended Sep. 30,		For the nine months ended Sep. 30,	
	2007	2006	2007	2006
Convertible debenture interest				
Accretion of convertible debenture	\$ -	\$ (8,191)	\$ -	\$ 1,008,639
Change in fair market value of conversion feature	-	(152,971)	5,043	(474,871)
Convertible debenture 10% interest	-	14,884	2,280	91,811
Convertible debenture registration penalty	-	112,739	131,009	315,925
	-	(33,539)	138,332	941,504
Interest expense (income)	(21,228)	3,564	(58,955)	10,347
Other	193,956	(1,590)	191,642	(1,590)
Other expense (income)	<b>\$ 172,728</b>	<b>\$ (31,565)</b>	<b>\$ 271,019</b>	<b>\$ 950,261</b>

- Refer to the annual MD&A for a full disclosure regarding the Company's registration penalty obligation.

- The net change in convertible debenture interest is largely due to the conversion of all remaining convertible debt in the past 12 months. With no outstanding convertible debentures it is no longer necessary for accretion of the debt or for the 10% interest requirement. The only remaining requirement is for the registration penalty accrual; Nil in Q3 of 2007 (\$112,739 in Q3 2006) and \$131,009 for the first nine months of 2007 (\$315,925 for the first nine months of 2006).
- Interest income was offset by interest expense resulting in \$21,228 net income in Q3 2007 (cumulative \$58,955) as compared to \$3,564 net expense in Q3 2006 (cumulative \$10,347). The 2007 increase in income is due to short term investments generating interest income.
- In Q3 2007 the company had other expenses of \$193,956 resulting from the appreciation in value of the Canadian dollar against the United States dollar. Included within this balance is \$193,234 of unrealized losses that arose through the company holding United States dollars in cash and short term investments as well as convertible debenture obligations. This expense is offset by comprehensive income.

#### Other Comprehensive Income

Other comprehensive income and loss is caused by changes in the relative exchange values of the U.S. and Canadian dollars. For example when the U.S. dollar trades higher relative to the Canadian dollar, net assets held in Canadian dollars will decline in value as recorded in the U.S. dollar equivalent and this decline will be reflected as a foreign exchange loss in a period. The equivalent Canadian dollars for a U.S. dollar was \$0.9948 as at the three months ended September 30, 2007 compared to \$1.1177 at September 30, 2006. This resulted in a Q3 2007 comprehensive income of \$312,444 in the quarter and \$392,430 in the nine months ended September 30, 2007.

#### Summary of Quarterly Results

	<b>Sep 30, 2007</b>	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006
Revenue	\$ 484,970	\$ 2,488,384	\$ 9,566	\$ 1,072,272
Net income (loss) from continuing operations	<b>(613,953)</b>	1,500,947	(752,439)	(831,155)
Net income (loss) from continuing operations	<b>(613,953)</b>	1,500,947	(752,439)	(831,155)
Comprehensive income (loss)	<b>(301,509)</b>	1,579,952	(751,458)	(903,840)
Basic earnings (loss) per share	<b>(0.02)</b>	0.05	(0.03)	0.03
Diluted earnings (loss) per share	\$ <b>(0.02)</b>	\$ 0.05	\$ (0.03)	\$ 0.03
	<b>Sep 30, 2006</b>	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005
Revenue	\$ 7,378	\$ 8,706	\$ 12,173	\$ 13,514
Net income (loss) from continuing operations	(511,092)	(1,697,664)	(727,547)	(5,440,096)
Net income (loss)	(511,092)	(1,697,664)	(727,547)	(5,440,096)
Comprehensive income (loss)	(517,451)	(1,633,686)	(799,674)	(5,470,882)
Basic earnings (loss) per share	(0.02)	(0.07)	(0.03)	(0.26)
Diluted earnings (loss) per share	\$ (0.02)	\$ (0.07)	\$ (0.03)	\$ (0.26)

In comparing Q3 2007 to Q2 2007, revenue of \$478,103 for the completion of an SFD was recognized in the third quarter of 2007 while Q2 had survey revenue of \$2,480,140 from two contracts. The administrative cost increases in Q3 over Q2 of \$121,000 are due to increases in stock based compensation plus increased accruals in interim audit and review fees. As well the company recognized increased other expenses due to unrealized exchange losses of \$193,234 on cash, short term investments and registration penalty on convertible debentures held in United States dollars due to the strengthening of the Canadian dollar.

In comparing Q2 2007 to Q1 2007, revenue for the completion of two 2007 SFD survey contracts was recognized in the second quarter resulting in a positive cash flow; for the first quarter the survey contracts had been flown, but not completed, so the progress payments were on the Balance Sheet as Unearned Revenue. The only revenue recognized for the first quarter was for oil and natural gas and one GORR.

In comparing Q1 2007 to Q4 2006, revenue for the completion of our first completed SFD survey contract was recognized in Q4 2006; in 2007 Q1 all survey progress payments are being held on the Balance Sheet as Unearned Revenue as two SFD contracts had not yet been completed.

In comparing Q4 2006 to Q3 2006, the increase in revenue is due to the recognition of revenue in conjunction with the completion of our SFD survey contract. Prior to contract completion, all progress payments and expenses for this contract were held in Unearned Revenue and Work-in-Progress on the Balance Sheet. This was offset with a large depletion and impairment expense that was due to impairment in the value of undeveloped lands.

In comparing Q3 2006 to Q2 2006, there was a decrease in our net loss attributable to a \$252,657 decrease in our administrative expense, and a decrease in non-cash interest expense on the convertible debentures of \$928,157.

In comparing Q2 2006 to Q1 2006, there was an increase in our net loss attributable to a \$814,194 increase in non-cash interest expense on the convertible debentures including \$304,972 of accretion expense and \$363,871 of expense related to the change in value of the conversion feature of convertible debentures.

In comparing Q1 2006 to Q4 2005 there was a significant decrease in our net loss that was largely attributable to the non-recurrence of the research and development as well as a \$1,338,133 reduction of non-cash interest on the convertible debentures. The reduced interest expense in Q1 2006 is largely attributable to \$711,858 of accretion expense being partially offset by a \$685,711 reduction in the fair market value of the conversion feature liability due to a decline in the market value of the Company's common shares.

In comparing Q4 2005 to Q3 2005 there was a significant increase in our Net Loss. Two factors largely explain this change. In Q4 2005 \$3,000,000 of research and development was expensed related to the issuance of preferred shares. Additionally in Q4 2005 \$1,418,557 of non-cash interest was expensed, including \$500,737 of accretion expense and \$917,820 of expense related to the change in value of the conversion feature of convertible debentures. In aggregate \$4,418,557 of non-cash expense was recorded in the Q4 2005 related to these transactions.

## Liquidity and Capital Resources

The Company's cash position in Q3 2007 continues to be strong. Three 2007 survey contracts have been completed and billed for to the end of Q3 with only the final installment outstanding in Accounts Receivable. In addition, on October 16, 2007 we received Cdn \$2,700,000 as a progress payment for surveys that will be completed through the last quarter of 2007 and the first half of 2008. Our cash, cash equivalents and short term investments held on account in both United States and Canadian dollars as of October 22, 2007 are the equivalent of approximately U.S. \$6,500,000.

With cash and short term investments, plus the positive working capital generated from our signed SFD survey contracts, we forecast having the required cash to operate for in excess of two years even without any additional sources of cash. However, our ability to continue as a going concern ultimately will dependent upon our ability to sustain positive cash flow from operations and/or obtain additional financing. The outcome of these matters cannot be predicted with certainty at this time.

The \$1,168,086 increase in our cash position for the nine months ended September 30, 2007 (Q3 2007 - \$1,659,715) compared to 2006 was attributable to:

	For the three months ended Sep. 30,		For the nine months ended Sep. 30,	
	2007	2006	2007	2006
Cash generated (used) in operating activities	\$ 163,123	\$ (243,242)	\$ 964,318	\$ (1,148,092)
Cash provided by financing activities	797,995	17,773	794,119	2,163,989
Cash generated (used) in investing activities	(733,875)	(1,050,633)	(909,238)	(1,070,821)
Comprehensive gain (loss) due to the effect of exchange rate changes	127,237	(29,133)	172,304	(91,659)
	<b>\$ 354,480</b>	<b>\$ (1,305,235)</b>	<b>\$ 1,021,503</b>	<b>\$ (146,583)</b>

### Operating Activities

Q3 2007 - the \$163,123 cash generated in operating activities reflects our net loss of \$613,953 adjusted for \$374,761 of non-cash or non-operating deductions and \$402,315 net increase in non-cash working capital. For the first nine months of 2007 the \$964,318 cash generated reflects net income of \$134,555 adjusted for \$823,953 of non-cash deductions or non-operating deductions and a change of \$5,810 in non-cash working capital.

### Financing Activities

Q3 2007 - \$802,601 (Q3 2006 - 17,773) was provided through the exercise of options and warrants and \$4,606 was used to reduce the Notes and Lease Payable. In the first nine months of 2007 \$837,558 was provided through the exercise of options and warrants and in the first nine months of 2006, \$2,092,500 was raised through a stock offering.

### Investing Activities

Q3 2007 - \$600,000 (Q3 2006 - \$1,000,000) was invested in short term investments and \$134,829 in capital assets, (Q3 2006 - \$50,063). In the first nine months of 2007 \$693,783 was invested in short term investments (2006 \$955,000), \$246,969 in capital assets (2006 - \$115,821) and \$31,514 cash was generated through the sale of oil and gas properties.

### Projected and Actual Cash Receipts subsequent to September 30, 2007

In the fourth quarter of 2007 the Company received Cdn \$2,700,000 largely as progress payments towards the Cdn \$8,500,000 backlog of survey contracts outstanding as at September 30, 2007. These contracts are scheduled to be completed through the balance of 2007 and the first half of 2008 and accordingly the Company anticipates receiving substantially all the remaining Cdn \$6,300,000 related to these contracts by June 30, 2008.

The Company as at September 30, 2007 has 3,852,368 warrants outstanding all with exercise prices below the current market price for the Company's common shares. Should all the warrants be exercised prior to their expiration date then the Company will receive an additional \$5,113,120 prior to June 30, 2008 through the exercise of these warrants; \$1,225,808 of these proceeds are scheduled to be received prior to the end of 2007.

### Change in Working Capital since the beginning of the Year

Refer to annual MD&A as at December 31, 2006; no material changes other than the change in Cash and Short Term Investments discussed above.

### Transactions with Related Parties

	For the three months ended Sep. 30,		For the nine months ended Sep. 30,	
	2007	2006	2007	2006
Collective wages, fees and benefits paid to executive officers of the Company who were also directors of the Company	\$ 42,775	\$ 39,538	\$ 125,362	\$ 121,521
Interest expense recognized or paid to related parties and officers	\$ 3,229	\$ 3,485	\$ 9,393	\$ 9,315

10,567 shares were issued for the beneficial interest of a director pursuant to the conversion of convertible debenture in Q1 2007.

878,500 incentive options were issued in the first quarter of 2007. Of these, 585,000 options were issued to individuals who are currently officers and directors of the Company.

### Critical Accounting Estimates

Factors are substantially unchanged; refer to annual MD&A as at December 31, 2006.

### Change in Accounting Policies Including Initial Adoption

Our accounting policies are unchanged from December 31, 2006 except for the adoption of FASB No.48 "Accounting for Uncertainty in Income Taxes" which has no impact on our reported financial statements. Refer to annual MD&A as at December 31, 2006.

## Disclosure Controls, Procedures and Internal Controls over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer (the "Responsible Officers") are responsible for establishing and maintaining disclosure controls and procedures, or causing them to be designed under their supervision, for the Company to provide reasonable assurance that material information relating to the Company is made known to the Responsible Officers by others within the organization, particularly during the period in which the Company's quarterly and year-end financial statements and MD&A are being prepared. However, any internal control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

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

As of December 31, 2006 we carried out an evaluation, under the supervision and with the participation of our management, including our Responsible Officers, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14 in the United States and National Instrument 51-102 *Continuous Disclosure Obligations* in Canada. Based upon the foregoing, our Responsible Officers concluded that our disclosure controls and procedures are effective in the timely alerting of management.

Management is aware that in-house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company utilizes outside assistance and advice on complex financial, taxation and reporting issues, which is common with companies of a similar size. We have assessed the design of our internal control over financial reporting and during this process we identified potential weaknesses in internal controls over financial reporting which are as follows:

- Due to the limited number of staff at the Company it is not feasible to achieve complete segregation of incompatible duties. The Company has mitigated this weakness in controls by adding management review procedures of the areas where segregation is an issue. In addition to management review procedures, our Board of Directors is actively involved in many aspects including approval of all Authorities of Expenditure, including those with limited financial impact; and
- The Company does not retain staff with specialized and current income tax, financial reporting and complex accounting expertise. The Company prepares their best estimate of complex accounting calculations and relies on reviews by management, external consultants and audit committee for quality assurance.

As a result of our assessment of the design of our internal control over financial reporting, we conclude that there is a reasonable possibility that a material misstatement would not be prevented or detected on a timely basis. Management and the Board of Directors work to mitigate the risk of a material misstatement in financial reporting. There were no material changes to internal controls during the three months period ending September 30, 2007.

For additional information on Energy Exploration Technologies Inc please consult our web page at [www.nxtenergy.com](http://www.nxtenergy.com), or the SEDAR webpage at <http://www.sedar.com>.