NXT

Energy Solutions

ANNUAL REPORT

As at and for the year ended December 31, 2021

Message from the President & CEO

March 31, 2022

First, I want to convey my sincere hope that everyone is well and continues to stay healthy at this time. With $3.13 million of revenue, 2021 showed modest improvement from the previous year but far below what I believe this Company is capable of generating given both the benefits our technology offers the industry and the new opportunities that exist in the marketplace today. That being said, there were a number of productive developments during the year that I would like to highlight.

We were pleased to announce in the summer that energy exploration veteran Gerry Sheehan joined our Board of Directors. Gerry brings almost 40 years of experience and knowledge working in international oil and gas exploration, development, and production. From the moment he arrived, Gerry has become an integral part of our team, sharing his expertise and industry network while also contributing to the Company's business development efforts. We are definitely happy to have him aboard and are very grateful for that.

On the technology side, NXT received advisory services and funding from the National Research Council of Canada's Industrial Research Assistance Program which was utilized to support the research and development of the SFD® technology for geothermal applications. The Company successfully completed Phase I of the SFD-GT sensor development program and is currently preparing a Phase II submission for NRC's consideration. NXT is actively pursuing SFD-GT business opportunities in Canada and abroad and is currently in discussions with multiple geothermal companies regarding its services. Additionally, the Company was pleased to report that it had received patents from India and Brazil, bringing the total number of countries in which NXT holds patents to 46.

On the hydrocarbon business development side, NXT has had a very busy start to 2022 pursuing a number of strategic opportunities. As commodity prices have rebounded and global economic activity continues to accelerate, we are witnessing an increased level of business development and exploration activity with our customers. SFD® hydrocarbon survey opportunities continue to progress well not only within our core areas of focus in Africa, Asia, and in South America, but elsewhere. This gives me strong confidence that our collective efforts will materialize into future success, both short-term and long-term. NXT's non-intrusive SFD® airborne technology not only increases drilling success rates for our customers but drastically reduces the negative environmental impact of traditional large-scale ground surveys.

Today, we see clear signs of many suspended exploration programs being reactivated. NXT has to seize the opportunities now in front of us. We will remain focussed on contract execution in order to deliver value to our shareholders. On behalf of our Board of Directors and the entire team at NXT, I want to thank all of our shareholders for their continued support.

Best regards,

"/s/ George Liszicasz"
George Liszicasz
President & CEO
NXT Energy Solutions Inc.

NXT ENERGY SOLUTIONS INC.

Management's Discussion and Analysis

For the year ended

December 31, 2021

Management's Discussion and Analysis

This discussion and analysis ("MD&A") was prepared by management of NXT Energy Solutions Inc. ("NXT", "we", "us", "our" or the "Company") based on information available as at March 31, 2022 unless otherwise stated, has been approved by the Board of Directors of the Company (the "Board"), and should be reviewed in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2021 (the "consolidated financial statements"). This MD&A covers the unaudited three and twelve month periods ended December 31, 2021, with comparative amounts for the unaudited three and twelve month periods ended December 31, 2020.

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

NXT® and SFD® are registered trademarks of NXT in Canada and the United States.

Advisories

Forward-looking Information

Certain statements contained in this MD&A constitute "forward-looking information" within the meaning of applicable securities laws. These statements typically contain words such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "will", "continue" and similar words and phrases suggesting future outcomes or an outlook. Forward-looking statements in this document includes, but is not limited to:

- payment of the Consideration (as defined below), and the satisfaction of the conditions thereto (including with respect to cash balances, receipt of funds, and the execution and completion of contracts);
- the development, commercialization and protection of the SFD® technology for geothermal resource exploration;
- the extent to which expanding the Company's scope of business to include exploring for both hydrocarbon and geothermal resources is anticipated to result in an expansion of its scope of revenue sources;
- the Company’s pursuit of opportunities to secure new revenue contracts;
- estimates related to our future financial position and liquidity including certain contractual obligations; and
- general business strategies and objectives.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- our ability to develop and market our SFD® technology and services to current and new customers;
- our ability to source personnel and equipment in a timely manner and at an acceptable cost;
- our ability to obtain all permits and approvals required;

- our ability to obtain financing on acceptable terms;
- our ability to obtain insurance to mitigate the risk of default on client billings;
- foreign currency exchange and interest rates; and
- general business, economic and market conditions (including global commodity prices).

Although NXT believes that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as NXT can give no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by NXT and are described in the forward-looking information. Material risks and uncertainties include, but are not limited to:

- the ability of management to execute its business plan, including their ability to secure new revenue contracts;
- health, safety and the environment (including risks related to the COVID-19 pandemic);
- the emergence of alternative competitive technologies;
- our ability to develop and commercialize the geothermal technology;
- our ability to service existing debt;
- our ability to protect and maintain our intellectual property ("IP") and rights to our SFD® technology;
- our reliance on a limited number of key personnel;
- our reliance on a limited number of aircraft;
- our reliance on a limited number of clients;
- counterparty credit risk;
- foreign currency and interest rate fluctuations;
- the likelihood that the Company’s ICFR (as defined below) will prevent or detect material misstatements in our consolidated financial statements;
- changes in, or in the interpretation of, laws, regulations or policies; and
- general business, economic and market conditions (including global commodity prices).

For more information relating to risks, see the section titled "*Discussion of Operations – Risks and Uncertainties*" in this MD&A and the section titled "*Risk Factors*" in NXT's most recently filed Annual Information Form. Except as required by applicable securities law, NXT undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

Financial outlooks are provided for the purpose of understanding the Company's accounting practices and liquidity position, and the information may not be appropriate for other purposes.

Non-GAAP Measures

NXT's accompanying audited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). This MD&A includes references to net working capital which does not have a standardized meaning prescribed by US GAAP and may not be comparable to similar measures being presented by other entities. Net working capital is the net result of the difference between current assets and current liabilities, and can be used by investors and management to assess liquidity at a particular point in time. See "*Liquidity and Capital Resources – Net Working Capital*" for further information.

Description of the Business

NXT Energy Solutions Inc. is a Calgary-based technology company whose proprietary and patented Stress Field Detection ("SFD®") survey system utilizes quantum-scale sensors to detect gravity field perturbations in an airborne survey method which can be used both onshore and offshore to remotely identify traps and reservoirs with hydrocarbon and geothermal exploration potential. The SFD® survey system enables NXT's clients to focus their exploration decisions concerning land commitments, data acquisition expenditures and prospect prioritization on areas with the greatest potential. SFD® is environmentally friendly and unaffected by ground security issues or difficult terrain and is the registered trademark of NXT. NXT provides its clients with an effective and reliable method to reduce time, costs and risks related to exploration.

Financial and Operational Highlights

Key financial and operational highlights for Q4-21 and YE-21 are summarized below:

- the Company completed the 2021 advisory services and funding of $50,000 from the National Research Council of Canada Industrial Research Assistance Program ("NRC IRAP") to support the research and development of the SFD® technology for geothermal applications;
- NXT announced that its patent application in India has been officially granted by the Office of the Controller General of Patents, Designs and Trade Marks.
- cash and short-term investments at December 31, 2021 were $2.81 million;
- Net working capital was $2.82 million at December 31, 2021;
- the Company recorded SFD® related revenue of $3.13 million for YE-21 and (0.01) for Q4-21;
- a net loss of $1.57 million was recorded for Q4-21, including stock based compensation expense ("SBCE") and amortization expense of $0.53 million;
- a net loss of $3.12 million was recorded for YE-21, including SBCE and amortization expense of $2.06 million;
- net loss per common share for Q4-21 was $0.02 basic and $0.02 diluted;
- net loss per common share for YE-21 was $0.05 basic and $0.05 diluted;
- cash flow provided by (used in) operating activities was $0.08 million during Q4-21 and ($1.03) million YE-21;
- general and administrative ("G&A") expenses increased by $0.05 million (6%) as compared to Q4-20, due primarily to the ending of the Canada Emergency Wage Subsidy ("CEWS"), the Canada Emergency Rent Subsidy ("CERS") programs; and
- G&A for YE-21 as compared to YE-20 decreased by $0.15 million (5%) due to lower professional fees, recognition of the CERS and business development offset by the ending of the CEWS and higher SBCE.

Key financial and operational highlights occurring subsequent to Q4-21 are summarized below:

- the Company received US$0.20 million (CDN$0.25) of payments on outstanding accounts receivable during February 2022.
- the Company extended its aircraft lease until April 2024; and
- the Company received notice that its Brazilian Patent Application has been allowed, bringing the total number of countries in which NXT holds patents to 46.

Selected Annual Information

($M except per share)	YE-21	YE-20	YE-19
		(Adjusted)	(Adjusted)
Total Assets	$ 21,584,371	$ 23,484,748	$ 30,221,470
Lease liabilities	1,902,604	2,089,838	2,850,604
Long-term debt	1,000,000	-	-
Revenue	3,134,250	136,566	11,976,149
Net earnings (loss)	(3,123,799)	(6,028,228)	3,794,709
Net earnings (loss) per share			
Basic	$(0.05)	$(0.09)	$0.06
Diluted	$(0.05)	$(0.09)	$0.06

Total assets decreased between YE-19 through YE-21 as cash and short-term investments were used for operating activities offset by revenue recognized from the Pre-existing SFD® Data Sale (defined below). No new leases were entered into during each of the three years, therefore the lease liabilities decreased due to amortization schedules. YE-21, the Company entered into the Business Development Bank of Canada's ("BDC") Highly Affected Sectors Credit Availability Program (the "HASCAP Loan") for $1,000,000 thereby increasing Long-term debt. Revenue in YE-19 was due to the execution of an SFD® survey in 2019. There were no SFD® surveys in YE-20. For YE-21 revenue was due to the Pre-existing SFD® Data Sale.

During Q3-21, the Company determined that the amounts previously recorded for the aircraft lease for YE-20 and YE-19 were calculated incorrectly and the US$ denominated lease liability had not been re-measured to Canadian dollars each reporting period as required. The result of these corrections are to reduce the value of both the right of use assets and lease obligations, with changes to related income statement accounts. The Company has determined that the effect of these adjustments are not material. Please refer to the section "*Changes in Accounting Policies – Leases*" for an explanation of the adjustment.

Discussion of Operations

COVID-19 Pandemic

As of the date of the consolidated financial statements the COVID-19 pandemic continues to be a risk on the operations of the Company. The Company has made provisions so employees can work safely in the office or from home, followed all Alberta Health Services and Health Canada recommendations, and implemented hygiene and physical distancing policies. Demand for our services, as well as our ability to provide services and to generate revenues may become adversely impacted the longer the COVID-19 pandemic continues. For example, if restrictions on international travel continue and/or an outbreak of the virus among our or our customers' personnel occurred, it may result in NXT being unable to perform surveys. Further, business development may impacted, as tele-conferences or on-line video conferencing may be an inferior method of business development than in-person meetings and technical presentations.

The Company's approach to managing the impacts of the COVID-19 pandemic is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to the Company is not known at this time. Estimates and judgments made by management in the preparation of the consolidated financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

Acquisition of the Geothermal Right

Description of the "Acquisition"

The Company acquired the rights to the geothermal applications of the SFD® technology (the "Geothermal Right") from Mr. George Liszicasz, Chairman, President and Chief Executive Officer of NXT on April 18, 2021 (the "Acquisition"). The agreement providing for the Acquisition was negotiated between Mr. Liszicasz and a special committee of the Board comprised entirely of independent directors (the "Committee"). The Board delegated authority to the Committee to perform the negotiations. The initially negotiated consideration payable by the Company in connection with the Acquisition included the following:

1. US$40,000 (CAD$50,310) signature payment, which was paid in April 2021;
2. 300,000 common shares in the capital of NXT ("Common Shares"), which were approved by the TSX and issued in December 2021;
3. CAD$15,000 signature milestone payment paid in August 2021;
4. US$200,000 milestone payment which will become due in the event that the Company's cash balance exceeds CAD$5,000,000 due to receipt of funds from operations; and
5. US$250,000 milestone payment which will become due in the event that the Company executes and completes, and receives full payment for, an SFD® contract valued at US$10,000,000 or greater, provided such contract is entered into and completed, and payment of at least US$5,000,000 is received, by April 18, 2023,

collectively, the "Consideration".

Geothermal applications of the SFD® technology include naturally occurring subsurface fluid reservoirs or rock conditions from which heat can be extracted and utilized for generating electric power, or for direct utilization in industrial, agricultural or domestic applications. The main subsurface properties such as porosity, permeability and impermeable cap rock that are vital in the search for oil and gas resources and are equally critical for locating the most prospective geothermal resources. For these reasons, the SFD® technology has a natural extension to geothermal applications.

Since first commercialized in 2007 for hydrocarbon use, NXT's non-intrusive SFD® airborne technology enables its customers to significantly improve drill success rates while reducing the overall negative environmental impact of traditional large-scale ground surveys by minimalizing disruptions to community life and surface use. NXT anticipates applying for patent protection for the geothermal applications of SFD® once development of the SFD® sensors reach appropriate milestones.

As industries worldwide transition toward a low-carbon economy, geothermal energy has gained greater prominence for its environmental benefits as a non-intermittent renewable energy source. NXT will begin to utilize the research and marketing skillsets acquired in hydrocarbon resources to develop and commercialize the application of the SFD® technology for geothermal resource exploration. By expanding the Company's scope of business to include exploring for both hydrocarbon and geothermal resources, the Company anticipates that its scope of revenue sources will expand as well.

Description of Review and Approval Process

The Acquisition constituted a "related party transaction" for the purposes of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") on the basis that Mr. Liszicasz is a director, officer and control person of the Company.

The Acquisition was reviewed and unanimously approved by the Committee which took into consideration the fair market value of the Geothermal Right as determined by them acting in good faith. Due to the fair market value not being readily determinable, the Committee considered the potential value to be realized by the Company in exercising the Geothermal Right, the value of the Consideration being offered to Mr. Liszicasz, and the effect on the Company's share ownership before and after the completion of the Acquisition.

The Acquisition was exempt from the formal valuation and disinterested shareholder approval requirements typically applicable to related party transactions under MI 61-101 on the basis that, at the time the Acquisition was agreed to, neither the fair market value of the Geothermal Right (as determined by the Committee acting in good faith, due to the fair market value not being readily determinable), nor the fair market value of the Consideration to be received by Mr. Liszicasz for the Geothermal Right, exceeded 25% of the Company's market capitalization, calculated as of April 18, 2021 as follows:

- fair market value of the Geothermal Right and fair market value of the Consideration, is approximately $837,947, if all of the milestones are met;
- market capitalization of the Company is approximately $44,579,810; and
- fair market value as a % of market capitalization is 1.88%.

Following the issuance of the 300,000 Common Shares, Mr. Liszicasz's ownership increased to 15,378,679 Common Shares (representing approximately 23.56% of the Company's then 65,250,710 Common Shares).

Mr. Liszicasz retains all rights, title and interest in and to the SFD® technologies for all other commercial applications, except for respect to hydrocarbons and geothermal resources.

As of December 31, 2021, the Company has recognized $275,610 for the Acquisition, which is the combination of the US$40,000 (CAD$50,310) and CAD$15,000 signature payments, the value of the 300,000 Common Shares and legal costs. The cost of the remaining two milestones will be recognized when it is deemed probable by the Committee that these two milestones will be achieved.

Geothermal Right Development Update

Progress continues with respect to the development of the SFD-GT geothermal sensor family for which NXT is receiving advisory services and funding from the NRC IRAP. NXT tested existing SFD® sensors under different operating parameters associated with subsurface conditions favourable for geothermal resources. The test results have demonstrated that the development of a dedicated SFD- GT sensor family can be accelerated.

Algorithms Update

NXT is continuing development of the processing algorithms that will assist in the attribute mapping, interpretation and integration of SFD® data. A number of new approaches, algorithms, and models have been successfully trialed that provide a more definitive approach to corroborating SFD® results by direct spatial comparison with subsurface properties that are pertinent to both hydrocarbon and geothermal applications. Whilst these methods require final formalization and further field testing, NXT expects that the eventual implementation of these enhancements will help drive the integration of SFD® data and results into the overall upstream exploration cycle.

Pre-existing SFD® Data Sale

In Q2-21, the Company completed the delivery of certain pre-existing Hydrocarbon Right SFD® data (the "Pre-existing SFD® Data") to its customer (the "Pre-existing SFD® Data Sale"). The Company has received payments of US$1,850,000 in respect of the Pre-existing SFD® Data as of December 31, 2021. US$200,000 (CDN$246,922) of the outstanding receivable was received in February 2022, with the remaining receivable expected to be received in Q2-22.

Government Grants

National Research Council of Canada Industrial Research Assistance Program

In July 2021, the Company began receiving advisory services and funding of up to $50,000 from the NRC IRAP to support the research and development of the SFD® technology for geothermal applications. The objective of this project was to test, identify and analyze the desired elements of the SFD® geothermal sensor response over known geothermal areas with the ultimate goal of providing a green upstream geophysical service for advancing renewable power initiatives in Canada and abroad. The agreed project work was completed in November 2021 with total funding of $50,000 from the NRC IRAP.

The NRC IRAP assistance was recognized as a reduction to G&A expenses beginning in Q3-21.

Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy

During the years ended December 31, 2021 and 2020, the Company received government grants through the CEWS, the CERS and NRC IRAP. The CEWS and CERS were recognized as a reduction to G&A expenses.

The Company participated in the CEWS and CERS until October 25, 2021, at which time the Government of Canada ended both of the programs.

	2021	2020
CEWS	$ 226,607	$ 292,161
CERS	188,983	58,526
NRC IRAP	50,000	-
Government grants recognized	465,590	350,687

Patents

In Q3-21, NXT announced its patent application in India was officially granted by the Office of the Controller General of Patents, Designs and Trade Marks. Additionally, the Company received notice in Q1-22 that its Brazilian Patent Application has been allowed. As of the date of this MD&A, NXT has been granted SFD® patents in India (July 2021), Russia (January 2017), Japan (July 2017), Canada (August 2017), Mexico (September 2017), the United States (two patents were granted in November 2017 and September 2018, respectively), China (April 2018), and Europe (January 2020). In total, NXT has obtained SFD® patents or received patent allowances in 46 countries. These patents protect our proprietary SFD® technology and serve as independent third-party recognition of our technological invention in terms of practical applicability, conceptual novelty, and knowledge advancement.

Summary of Operating Results

	Q4-21	Q4-20	YE-21	YE-20
SFD® related revenue	$ (10,123)	$ -	$ 3,134,250	$ 136,566
Expenses:				
SFD® related costs, net	273,431	306,686	1,224,168	1,111,070
General and administrative expenses	841,577	791,816	3,189,857	3,341,010
Amortization	445,144	445,122	1,776,484	1,780,806
	1,560,152	1,543,624	6,190,509	6,232,886
Other Expenses (income):				
Interest (income) expense, net	10,941	4,989	37,955	(14,062)
Foreign exchange loss (gain)	(1,732)	103,706	8,597	(64,432)
Intellectual property and other	(5,897)	1,128	20,988	10,402
	3,312	109,823	67,540	(68,092)
Loss before income taxes	(1,573,587)	(1,653,447)	(3,123,799)	(6,028,228)
Income tax expense	-	-	-	-
Net loss and comprehensive loss	(1,573,587)	(1,653,447)	(3,123,799)	(6,028,228)
Net loss per share – basic	$ (0.02)	$ (0.03)	$ (0.05)	$ (0.09)
Net loss per share – diluted	$ (0.02)	$ (0.03)	$ (0.05)	$ (0.09)

Quarterly operating results. Net loss for Q4-21 compared to Q4-20 decreased by $79,860, or $0.01 per share-basic. Survey costs, net, were $33,255 lower due to the timing of routine maintenance costs. G&A expenses increased by $49,761, or 1%, compared to Q4-20, due primarily to the CEWS and CERS being recognized for only one month in Q4-21 as the programs ended, and was offset by the resumption of business development travel in December 2021. Interest (income) expense, net changed by $5,952 in Q4-21 versus Q4-20 due to interest expense for the HASCAP Loan. With respect to foreign exchange, the Company held significant net assets in US$ as at December 31, 2021 and 2020. At December 31, 2021, the CDN$ to US$ exchange rate was slightly lower as compared to earlier periods, resulting in the corresponding foreign exchange gain for Q4-21. At December 31, 2020, the CDN$ strengthened as compared to the US$ at September 30, 2020, resulting in the corresponding foreign exchange loss for Q4-20. IP and other expenses in Q4-21 related mostly to costs associated with maintaining certain SFD® patents.

Annual operating results. Net loss for YE-21 compared to YE-20 decreased by $2,904,429, or $0.04 per share-basic. YE-21 revenue resulted from the Pre-existing SFD® Data Sale. In YE-20, revenue was earned on the recognition of the forfeited deposit from the Co-operation Agreement with Alberta Green Ventures Limited Partnership ("AGV"). Survey costs were higher in YE-21 versus YE-20 as YE-21 costs were due to delivery costs in connection with the Pre-existing SFD® Data Sale and lower charter hire reimbursements due to the COVID-19 pandemic. G&A expenses decreased by $151,153, or 1%, primarily due to receiving the CERS in YE-21, decreased professional fees and lower business development travel during YE-21 due to the COVID-19 pandemic offset by a lower CEWS legislated rate and higher SBCE due to the Restricted

Share Unit Plan ("RSU Plan") and Employee Share Purchase Plan ("ESP Plan") being in effect for the full year, YE-21. Interest (income) expense net changed $52,017 versus YE-20 due to interest expense from the HASCAP Loan and the Company having larger cash and short-term investments during YE-20. For foreign exchange, the CDN$ remained relatively constant with the US$ at December 31, 2021 versus December 31, 2020 resulting in the $8,597 exchange loss in YE-21. The CDN$ weakened versus the US dollar in YE-20, resulting in the foreign exchange gain of $64,432 during YE-20. IP and other expenses in YE-21 related mostly to costs associated with maintaining certain SFD® patents as their renewal periods came up during YE-21.

SFD® Related Costs, Net

SFD® Related Costs	Q4-21	Q4-20	Net change
Aircraft lease costs	$ 106,310	$ 110,063	$ (3,753)
Aircraft operations	166,754	196,623	(29,869)
Survey projects	367	-	367
Total SFD® related costs, net	273,431	306,686	(33,255)

SFD® Related Costs	YE-21	YE-20	Net change
Aircraft lease costs	$ 412,742	$ 453,101	$ (40,359)
Aircraft operations	696,127	657,969	38,158
Survey projects	115,299	-	115,299
Total SFD® related costs, net	1,224,168	1,111,070	113,098

SFD® related costs include aircraft charter costs (net of charter hire reimbursements), lease expenses and aircraft operation and maintenance costs. In Q4-21, SFD® related costs were lower compared to Q4-20 due to the timing of routine maintenance costs.

In YE-21, SFD® related costs were higher compared to YE-20 due to costs to deliver the Pre-existing SFD® Data, routine maintenance costs and lower charter hire reimbursements due to the COVID-19 pandemic. This was offset by lower aircraft lease costs, due to the favourable CDN$ to US$ exchange rate during YE-21.

The aircraft is available for charter to third parties through our aircraft manager when it is not being used by NXT. Any charter hire reimbursements received are used to offset aircraft costs.

In April 2017, NXT completed a sale and leaseback agreement of its aircraft with a Calgary-based international aircraft services organization (the "Lessor"). NXT has leased the aircraft over an initial term of 60 months and retains all existing operating rights and obligations. NXT is required to make monthly payments to the Lessor of approximately US$39,500.

In Q4-21, the Company determined it was reasonably certain it would extended term of its Aircraft Leasing Agreement effective in the second quarter of 2022 for a period of 24 months with payments of approximately US$22,500 (CDN$28,675) per month, or US$270,000 (CDN$344,099) per year. The incremental borrowing rate is 11.2%. The Company recognized an additional $615,737 Aircraft Right of use assets and US$481,797 ($615,737) additional Lease obligations.

Should NXT want to repurchase the aircraft at the end of the extended term, the purchase price will be US$1.21 million.

General and Administrative Expenses

G&A Expenses	Q4-21	Q4-20	Net change	%
Salaries, benefits and consulting charges	$ 398,283	$ 369,390	$ 28,893	8
Board and professional fees, public company costs	123,600	168,186	(44,586)	(27)
Premises and administrative overhead	198,827	146,432	52,395	36
Business development	38,952	3,966	34,986	>100
Stock-based compensation	81,915	103,842	(21,927)	(21)
Total G&A Expenses	841,577	791,816	49,761	6

G&A Expenses	YE-21	YE-20	Net change	%
Salaries, benefits and consulting charges	$ 1,485,952	$ 1,383,692	$ 102,260	7
Board and professional fees, public company costs	720,269	920,666	(200,397)	(22)
Premises and administrative overhead	647,943	728,036	(80,093)	(11)
Business development	47,793	140,200	(92,407)	(66)
Stock-based compensation	287,900	168,416	119,484	71
Total G&A Expenses	3,189,857	3,341,010	(151,153)	(5)

G&A expenses increased $49,761, or 6%, in Q4-21 compared to Q4-20 for the following reasons:

- salaries, benefits and consulting charges increased $28,893, or 8%, due to the decreased CEWS rate offset by lower vacation expense in Q4-21;
- Board and professional fees and public company costs decreased $44,586, or 27%, due primarily to decreased professional fees;
- premises and administrative overhead costs increased $52,395, or 36%, due to receipt of the CERS in Q4-20. The program ended in October 2021;
- business development costs increased in Q4-21 as business development travel resumed in the quarter; and
- SBCE were lower in Q4-21 vs Q4-20 by $21,927, or 21% due to the RSU Plan and ESP Plan liabilities decreasing by $40,773, and less RSUs outstanding and the lower NXT share price at December 31, 2021 versus December 31, 2020. See the section "*Discussion of Operations – General and Administrative Expenses – Stock-based Compensation Expenses*" for further information on the SBCE.

G&A expenses decreased by $151,153, or 5%, in YE-21 compared to YE-20 for the following reasons:

- salaries, benefits and consulting charges increased $102,260, or 7%, due to the decrease CEWS rate offset by lower vacation expense;
- Board and professional fees and public company costs decreased $200,397, or 22%, due to lower legal fees;
- premises and administrative overhead decreased $80,093, or 11%, due to receipt of the CERS during YE-21;
- business development costs decreased $92,407, or 66%, as travel restrictions continued due to the COVID-19 pandemic; and
- SBCE were higher in YE-21 vs YE-20 by $119,484, or 71% due to recognizing the RSU Plan expense and the ESP Plan for a full year. See the section "*Discussion of Operations – General and Administrative Expenses – Stock-based Compensation Expenses*" for further information on the SBCE.

Stock-based Compensation Expenses

Stock-based Compensation Expenses	Q4-21	Q4-20	Net change	% change
Stock Option Expense	$ 7,500	$ 1,258	$ 6,242	>100
Deferred Share Units	-	3,750	(3,750)	(100)
Restricted Stock Units	52,204	90,701	(38,497)	(42)
ESP Plan	22,211	8,133	14,078	>100
Total SBCE	81,915	103,842	(21,927)	(21)

Stock-based Compensation Expenses	YE-21	YE-20	Net change	% change
Stock Option Expense	$ 26,250	$ 34,223	$ (7,973)	(23)
Deferred Share Units	-	15,000	(15,000)	(100)
Restricted Stock Units	154,715	111,060	43,655	39
ESP Plan	106,935	8,133	98,802	>100
Total SBCE	287,900	168,416	119,484	71

SBCE varies in any given quarter or year as it is a function of several factors including the number of units of each type of stock-based compensation plan issued in the period and the amortization term (based on the term of the contract and/or number of years for full vesting of the units, which is normally three years) of the resultant expense. Also, SBCE is a function of periodic changes in the inputs used in the Black-Scholes option valuation model, such as volatility in NXT's trailing share price and for cash-settled stock-based compensation awards variability will occur based on changes to observable prices.

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

The deferred share unit ("DSUs") plan (the "DSU Plan") is a long-term incentive plan that permits the grant of DSUs to qualified directors. DSUs granted under the DSU Plan are to be settled at the retirement, resignation or death of the Board member holding the DSUs.

RSUs entitle the holder to receive, at the option of the Company, either the underlying number of shares of the Company's common stock upon vesting of such units or a cash payment equal to the value of the underlying shares. The RSUs vest at a rate of one-third at the end of each of the first three years following the date of grant. In Q3-21, the Company settled the Q3-21 RSU vesting with shares and cash, and intends to continue to settle the RSUs in shares and cash. In the year ended December 31, 2020, the Company granted 1,200,000 RSUs to employees and officers.

The ESP Plan allows employees and other individuals determined by the Board to be eligible to contribute a minimum of 1% and a maximum of 10% of their earnings to the plan for the purchase of Common Shares in the capital of the Company, of which the Company will make an equal contribution. Common Shares contributed by the Company may be issued from treasury or acquired through the facilities of the Toronto Stock Exchange. During 2020 and 2021 the Company has elected to issue Common Shares from treasury.

SBCE in Q4-21 was lower compared to Q4-20 by $21,927 or 21%. The main driver of the lower expense was the RSU Plan accrual was lower due to the Company's share price being lower at December 31, 2021 versus 2020 ($0.79 down to $0.61) and fewer RSUs in Q4-21 versus Q4-20 due to a forfeiture. This was partially offset by three months of ESP Plan expense in Q4-21 and only one month in Q4-20. Option expense was also higher in Q4-21 was due to an option grant to a director who elected to take options, instead of cash payments for all of their fees. No directors elected to participate in the DSU Plan in 2021.

SBCE in YE-21 was higher compared to YE-20 by $119,484 or 71%. Option expense in YE-21 was higher as a director elected to take options, instead of cash payments for part of their fees. Option expense in YE-20 was a grant of an award of 30,000 fully vested stock options. The ESP Plan expenses was higher in YE-21 as the plan was in effect for the whole year, versus one month in YE-20. The main driver was the RSU Plan recognized twelve months of RSU expense in YE-21 versus 128 days in YE-20.

Amortization

Amortization	Q4-21	Q4-20	Net change	%
Property and equipment	$ 20,641	$ 23,939	$ (3,298)	(14)
Intellectual property	424,503	421,184	3,319	1
Total Amortization Expenses	445,144	445,123	21	-

Amortization	YE-21	YE-20	Net change	%
Property and equipment	$ 82,564	$ 96,073	$ (13,509)	(14)
Intellectual property	1,693,920	1,684,733	9,187	1
Total Amortization Expenses	1,776,484	1,780,806	(4,322)	-

Property and equipment and related amortization expense. Property and equipment amortization was lower in Q4-21 and YE-21 compared to Q4-20 and YE-20 due to additional assets becoming fully amortized during the period and the Company not acquiring new assets in the periods. Amortization also decreases each year as the Company uses the declining balance method of depreciation, thereby having the effect of lowering amortization each year on existing assets.

Intellectual property and related amortization expense. NXT acquired specific rights to utilize the proprietary SFD® technology in global hydrocarbon exploration applications from the inventor of the SFD®

technology, NXT's Chairman, President and Chief Executive Officer, on August 31, 2015. The value attributed to the acquired IP assets was $25.3 million. The IP assets are being amortized on a straight-line basis over a 15-year period (future amortization expense of $1,685,000 per year) and are also being subject to ongoing assessment of potential indicators of impairment of the recorded net book value. No impairments were recognized in Q4-21 or Q4-20.

As discussed in the section "*Discussion of Operations – Acquisition of the Geothermal Right*", the Company acquired the SFD® technology for the Geothermal Right from NXT's Chairman, President and Chief Executive Officer on April 18, 2021. The Geothermal Right is being amortized on a straight line basis over its estimated useful life of 20 years. The annual amortization expense expected to be recognized is approximately $13,781 per year for a five-year aggregate total of $68,902.

Other Expenses (Income)

Other Expenses	Q4-21	Q4-20	Net change	%
Interest (income) expense, net	$ 10,941	$ 4,989	$ 5,952	119
Foreign exchange loss (gain)	(1,732)	103,706	(105,438)	(102)
Intellectual property and other	(5,897)	1,128	(7,025)	(623)
Total Other Expenses, net	3,312	109,823	(106,511)	(97)

Other Expenses	YE-21	YE-20	Net change	%
Interest (income) expense, net	$ 37,955	$ (14,062)	$ 52,017	370
Foreign exchange loss (gain)	8,597	(64,432)	73,029	113
Intellectual property and other	20,988	10,402	10,586	102
Total Other Expenses, net	67,540	(68,092)	135,632	199

Interest (income) expense, net. This category of other expenses includes interest income earned on short-term investments netted, by interest expense from lease obligations and long-term debt. Q4-21 interest decreased $5,952 compared to Q4-20 and YE-21 (income) expense compared to YE-20 decreased $52,017 as interest rates have decreased, as less cash was held in short-term investments and interest expense was incurred for the HASCAP Loan.

Foreign exchange loss (gain). This category of other expenses includes losses and gains caused by changes in the relative currency exchange values of US$ and CDN$. The Company held significant net assets in US$ at December 31, 2021 and December 31, 2020, including accounts receivable, cash and cash equivalents, short-term investments, US$ lease obligations and the security deposit for the aircraft, all of which have an effect on the unrealized foreign exchange gain and loss. At December 31, 2021, the CDN$ to US$ exchange rate was slightly lower as compared to the CDN$ to US$ exchange rate at December 31, 2020, resulting in the corresponding foreign exchange loss for Q4-21 and YE-21. At December 31, 2020, the CDN$ strengthened as compared to the US$ at September 30, 2020, resulting in the corresponding foreign exchange loss for Q4-20. For YE-20 the foreign exchange gain was the result of weakening of the CDN$ versus the US$ from December 31, 2019 to March 31, 2020 and large US$ balances. This foreign exchange gain was reduced in the following three quarters as the CDN$ strengthened. US$ balances were also slowly reduced during each period in YE-20.

The Company does not currently enter into hedging contracts, but does however use alternative strategies to reduce the volatility of US dollar assets including converting excess US dollars to CDN dollars.

IP and other. This category of other expenses primarily includes costs related to IP filings and research & development activity related to the SFD® technology.

In Q4-21 and YE-21, the Company's IP and other expenses were associated with periodic patent maintenance and renewal fees required during these time periods.

Income Tax Expense.

There was no income tax expense in YE-21 or YE-20.

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 and geothermal exploration.

Seismic is the standard technology used by the oil and 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, sedimentary thickness and major faulting and structural development.

Risk and Uncertainties

Hydrocarbon and geothermal exploration operations involve a number of risks and uncertainties that have affected our financial statements and are reasonably likely to affect them in the future. These risks and uncertainties are discussed further below.

Development, Commercialization and Protection of the Geothermal Right

With the acquisition of the Geothermal Right, the Company will continue to refine and develop the SFD® survey system to commercialize the Geothermal Right. This development requires substantial time and resources, and continued government assistance is not guaranteed. Furthermore, even if resources are available, there can be no assurance that the Company will be commercially or technically successful in enhancing the technology. If we are unable to develop and commercialize the geothermal applications of SFD® technologies, or adapt to evolving industry standards and demands, these could have a material adverse effect on our business, financial condition and results of operations.

Debt Service

NXT may finance a significant portion of its operations through debt. Amounts paid in respect of interest and principal on debt incurred by NXT may impair NXT's ability to satisfy its other obligations. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment by NXT of its debt obligations. Lenders may be provided with security over substantially all of the assets of NXT. If NXT becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, a lender may be able to foreclose on or sell the assets of NXT.

Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. The carrying value of cash and cash equivalents, short-term investments, and accounts receivable reflects management's assessment of credit risk. At December 31, 2021, cash and cash equivalents and short-term investments included balances in bank accounts, term deposits and guaranteed investment certificates, placed with financial institutions with investment grade credit ratings. The majority of the Company's accounts receivable relate to sales to one customer in the African region and is exposed to foreign country credit risks. The Company manages this credit risk by requiring advance payments before entering into certain contract milestones and when possible accounts receivable insurance.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk in relation to its holding of significant US$ balances in cash and cash equivalents, short-term investments, accounts receivable, deposits, accounts payables, accrued liabilities, and lease obligations, and entering into United States dollar revenue contracts. The Company does not currently enter into hedging contracts, but to mitigate exposure to fluctuations in foreign exchange the Company uses strategies to reduce the volatility of United States dollar assets including converting excess United States dollars to Canadian dollars. As at December 31, 2021, the Company held net United States dollar assets totaling $1,177,291. Accordingly, a hypothetical 10% change in the value of one United States dollar expressed in Canadian dollars as at December 31, 2021 would have had an approximately $150,039 effect on the unrealized foreign exchange gain or loss for the period.

Interest Rates

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

Tax Rates

Changes in tax rates in the jurisdictions that we operate in would impact the amount of current taxes that we pay. In addition, changes to substantively enacted tax rates would impact the carrying balance of deferred tax assets and liabilities, potentially resulting in a deferred tax recovery or incremental deferred tax expense.

In addition to the above, we are exposed to risk factors that may impact the Company and our business. For further information on these risk factors, please refer to our Annual Information Form, available on NXT's website at www.nxtenergy.com and on SEDAR at www.sedar.com.

Summary of Quarterly Results

A summary of operating results for each of the trailing eight quarters (including a comparison of certain key categories to each respective prior quarter) follows.

	Q4-21	Q3-21	Q2-21	Q1-21
Survey revenue	$ (10,123)	$ -	$ 3,144,373	$ -
Net income (loss)	(1,573,587)	(1,434,442)	1,531,522	(1,647,292)
Income (loss) per share – basic	$ (0.02)	$ (0.02)	$ 0.02	$ (0.03)
Income (loss) per share – diluted	$ (0.02)	$ (0.02)	$ 0.02	$ (0.03)

	Q4-20	Q3-20	Q2-20	Q1-20
Survey revenue	$ -	$ -	$ 136,566	$ -
Net income (loss)	(1,653,447)	(1,487,821)	(1,439,363)	(1,447,598)
Income (loss) per share – basic	$ (0.03)	$ (0.02)	$ (0.02)	$ (0.02)
Income (loss) per share – diluted	$ (0.03)	$ (0.02)	$ (0.02)	$ (0.02)

In Q4-21, the CEWS and CERS programs were ended therefore increasing G&A costs. In Q3-21, the Company recorded favourable exchange gains due to the strengthening of the US$. In Q2-21, revenue was recognized for the Pre-existing SFD® Data Sale. In Q1-21, costs were lower due to lower aircraft costs, a reduction in RSU accruals and less fluctuation of exchange rates. In Q4-20, the Company received the

CEWS and the CERS which reduced costs. In Q3-20, the Company received the CEWS and the Scientific Research and Experimental Development Credit ("SR&ED") which also reduced costs. During Q2-20, revenue was earned on the recognition of the forfeited deposit from AGV, payable pursuant to the existing co-operation agreement between NXT and AGV (the "Co-operation Agreement"). Excluding Q2-21, the Company incurred net losses primarily due to incurred SFD® related costs related to aircraft lease and aircraft maintenance costs, G&A expenses and non-cash items like SBCE, which can be a significant expense in any given quarter. More specific details are provided below:

- in Q4-21, the Company only received grants from the CEWS and CERS for one month due to the termination of these programs;
- in Q3-21, the US$ strengthened vs the CDN$ which resulted in a $102,632 exchange gain;
- in Q2-21, revenue was earned for the Pre-existing SFD® Data Sale and costs were lower due to receipt of the CEWS and the CERS. Additionally there was no business development travel due to restrictions from the COVID-19 pandemic;
- in Q1-21, costs were lower due to lower aircraft costs, a reduction in RSU accruals and less fluctuation of exchange rates;
- in Q4-20, costs were reduced primarily due to recognizing $123,105 benefits under the CEWS and the CERS, and due to reduced travel;
- in Q3-20, costs were reduced primarily due to recognizing $189,135 benefits under the CEWS and the SR&ED, and reduced travel;
- in Q2-20, $136,566 revenue was earned on the recognition of the forfeited deposit from AGV, payable pursuant to the Co-operation Agreement; and
- in Q1-20, the Company incurred a foreign exchange gain as it held significant monetary assets in US$ at March 31, 2020, including accounts receivable, cash and cash equivalents, short-term investments and the security deposit for the aircraft, and the CDN$ devalued by approximately 9%.

Liquidity and Capital Resources

Going Concern

The consolidated financial statements for YE-21 have been prepared on a going concern basis. The going concern basis of presentation assumes that NXT will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The events described in the following paragraphs highlight that there is substantial doubt about NXT's ability to continue as a going concern within one year after the date that these consolidated financial statements have been issued. The Company's current cash position is not expected to be sufficient to meet the Company's obligations and planned operations for a year beyond the date that these consolidated financial statements have been issued.

The Company has plans in place to reduce operating costs including payroll and other G&A costs and is evaluating alternatives to reduce other costs. If required, further financing options that may or may not be available to the Company include issuance of new equity, debentures or bank credit facilities. The need for any of these options will be dependent on the timing of securing new SFD® survey contracts and obtaining financing on terms that are acceptable to both the Company and the financier.

NXT continues to develop its pipeline of opportunities to secure new revenue contracts. However, the Company's longer-term success remains dependent upon its ability to convert these opportunities into successful contracts, to continue to attract new client projects, ultimately to expand the revenue base to a level sufficient to exceed fixed operating costs and generate consistent positive cash flow from operations. The occurrence and timing of these events cannot be predicted with sufficient certainty.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate for the consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications used. These adjustments could be material.

NXT's cash and cash equivalents plus short-term investments at December 31, 2021 totaled $2.81 million. Net working capital totaled $2.82 million. See the information in the section "*Liquidity and Capital Resources – Net Working Capital*" for further information.

Risks related to having sufficient ongoing net working capital to execute survey project contracts are mitigated through our normal practice of obtaining advance payments and progress payments from customers throughout the course of the projects, which often span three to four months. In addition, where possible, risk of default on client billings has been mitigated through the use of export insurance programs offered by Export Development Canada.

The Company does not have provisions in its leases, contracts, or other arrangements that would trigger additional funding requirements or early payments except that if the Company were to default on its office lease, the current month rent plus the next three months become immediately due. If the Company were to default on the aircraft lease, the Company would be required to deliver the aircraft back to the Lessor.

Net Working Capital

Net Working Capital	December 31, 2021	December 31, 2020	Net Change	%
Current assets (current liabilities)				
Cash, cash equivalents and short-term investments	$2,807,855	$ 3,031,407	$(223,552)	(7)
Accounts receivable	841,567	965,548	(123,981)	(13)
Prepaid expenses and deposits	265,436	77,532	187,904	242
Accounts payable and accrued liabilities	(500,625)	(440,537)	(60,088)	(14)
Contract obligations	-	(127,507)	127,507	100
Current portion of long-term debt	(64,815)	-	(64,815)	(100)
Current portion of lease obligation	(532,936)	(687,991)	155,055	23
Total Net Working Capital	2,816,482	2,818,452	(1,970)	0

NXT had net working capital of $2,816,482 as at December 31, 2021.

Net working capital at December 31, 2021 compared to December 31, 2020 decreased by $1,970 or 0% was due to cash receipts from the HASCAP Loan and accounts receivable from the Pre-existing SFD® Data Sale, offset by funds used in operations mostly for payroll, aircraft and premises costs.

Accounts Payable

Accounts Payable	Dec 31, 2021	Dec 31, 2020	Net Change	%
Trade accounts payable	$ (122,935)	$ (62,872)	$ (60,063)	(96)
Deferred advisor board payable	(23,896)	(23,908)	12	0
Accrued liabilities	(171,714)	(161,742)	(9,972)	(6)
Vacation pay accrued	(102,536)	(71,698)	(30,838)	(43)
RSU and ESP Plan liability	(79,544)	(120,317)	40,773	34
Total accounts payable	(500,625)	(440,537)	(60,088)	(14)

Accounts payable increased by $60,088 or 14%, as at December 31, 2021 compared to December 31, 2020 for the following reasons:

- trade accounts payable increased by $60,063, or 96%, due to timing of payables at the stated dates;
- accrued liabilities increased by $9,972, or 6%, due to timing of annual professional fee accruals;
- vacation pay accrued increased by $30,838, or 43%, due to timing of vacations; and
- RSU Plan and ESP Plan liabilities decreased by $40,773 less RSUs outstanding and the lower NXT Common Share price at December 31, 2021 versus December 31, 2020.

Long-term Debt (HASCAP Loan)

On May 26, 2021, the Company received $1,000,000 from the BDC's HASCAP Loan. The HASCAP Loan is a $1,000,000 non-revolving ten-year term credit facility with an interest rate of 4%. Repayment terms are interest only until May 26, 2022, and monthly principal plus interest payments for the remaining nine years. The HASCAP Loan is secured by a general security agreement and is guaranteed by BDC.

Maturity of long-term debt:	
2022	$ 104,167
2023	146,481
2024	142,037
2025	137,593
2026	133,148
2027 to 2031	534,907
Total principal and interest payments	1,198,333
Less interest	(198,333)
Total principal remaining	1,000,000
Current portion of long-term debt	64,815
Non-current portion of long-term debt	935,185

Cash Flow *(Adjusted)*

Please see the section *"Changes in Accounting Policies, Consolidated Statement of Cash Flows".*

Cash Flow - from / (used in)	Q4-21	Q4-20	YE-21	YE-20
Operating activities	$ 75,610	$ (891,021)	$ (1,033,173)	$ (3,407,101)
Financing activities	(66,289)	(28,383)	875,428	(173,616)
Investing activities	(186,245)	1,049,241	(274,049)	3,436,691
Effect of foreign exchange changes on cash	(2,173)	(87,067)	(497)	(24,073)
Net source (use) of cash	(179,097)	42,771	(432,291)	(168,099)
Cash and cash equivalents, start of period	2,436,952	2,647,375	2,690,146	2,858,245
Cash and cash equivalents, end of period	2,257,855	2,690,146	2,257,855	2,690,146
Cash and cash equivalents, end of period	2,257,855	2,690,146	2,257,855	2,690,146
Short-term investments, end of period	550,000	341,261	550,000	341,261
Total cash and short-term investments, end of period	2,807,855	3,031,407	2,807,855	3,031,407

The overall net changes in cash balances in each of the quarters noted above is a function of several factors including any inflows (outflows) due to changes in net working capital balances and net of any cash transferred into/out of short-term investments. Further information on the net changes in cash, by each of the operating, financing and investing activities, is as follows:

Operating Activities	Q4-21	Q4-20	YE-21	YE-20
Net income (loss) for the period	$(1,573,587)	$(1,653,447)	$(3,123,799)	$(6,028,228)
Total non-cash expense items & asset retirement obligation liabilities settled	562,566	672,526	2,076,909	1,995,359
Operating activities before change in non-cash working capital balances	(1,011,021)	(980,921)	(1,046,890)	(4,032,869)
Change in non-cash working capital balances	1,086,631	89,900	13,717	625,768
Total cash from (used in) operating activities	75,610	(891,021)	(1,033,173)	(3,407,101)

Operating cash flow increased by $966,631 in Q4-21 as compared to Q4-20 due to the receipt of US$750,000 (CDN$950,168) of accounts receivable payments in Q4-21.

Operating cash flow increased by $2,373,927 in YE-21 as compared to YE-20 due to the payment of the Pre-existing SFD® Data Sale accounts receivable offset by timing of accounts payable and accrued liabilities.

Financing Activities	Q4-21	Q4-20	YE-21	YE-20
Proceeds from long-term debt	$ -	$ -	$ 1,000,000	$ -
Proceeds from the employee share purchase plan	16,505	7,592	69,259	7,592
Repayment of finance liability and finance lease	(40,097)	(35,975)	(151,134)	(181,208)
Share issuance costs	(42,697)	-	(42,697)	-
Total cash from (used in) financing activities	(66,289)	(28,383)	875,428	(173,616)

In YE-21, proceeds of $1,000,000 were received from the HASCAP Loan. Additionally, proceeds were received from employee contributions under the ESP Plan which began in Q4-20. The financing and lease obligation payments were for the financing liability for the sales and leaseback agreement on its aircraft. In YE-20 the repayments included payments for the finance lease for office equipment which was terminated in Q2-20.

Investing Activities	Q4-21	Q4-20	YE-21	YE-20
Acquisition of intellectual property	$ -	$ -	$ (65,310)	$ -
Proceeds from (used in) short-term investments	(186,245)	1,049,241	(208,739)	3,436,691
Total Cash from Investing Activities	(186,245)	1,049,241	(274,049)	3,436,691

Please refer to the section "*Discussion of Operations – Acquisition of the Geothermal Right*" for a discussion on the Acquisition. Changes in short-term investments were for investments in guaranteed investment certificates to fund operations and investing of excess short-term cash.

Contractual Obligations

The estimated minimum annual commitments for the Company's lease components as at December 31, 2021 are listed in the following table:

Lease payment obligations:	Total	2022	2023	2024	2025
Office	$ 1,376,944	$ 367,185	$ 367,185	$ 367,185	$ 275,389
Office operating costs	899,955	239,988	239,988	239,988	179,991
Aircraft lease[1]	788,879	330,080	344,099	114,700	-
Office equipment	4,950	4,950	-	-	-
Total	3,070,728	942,203	951,272	721,873	455,380

1. US$ payments have been converted to CDN$ at a rate of 1.27444

On March 15, 2022, the Company surrendered 828 square feet of its office building lease to the landlord. As a result its non-lease operating cost commitments for the building lease will be reduced by approximately $13,881 for 2022, 17,537 for 2023 and 2024, and $13,150 for 2025. The Company incurred a surrender fee of $14,000 which will be expensed in the first quarter of 2022. The Company will derecognize the following amounts on its balance sheet at the surrender date:

Right of Use Assets	$ 77,043
Lease obligations	80,081

Long-term Debt (HASCAP Loan)

Please refer to the section "*Liquidity and Capital Resources*" for a discussion on the contractual obligations for the HASCAP Loan.

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements as of the date of this MD&A other than office premise non-lease operating costs with Interloq Capital Corp. (the "Landlord"). If the Company were to default on its office lease the current month rent including operation costs plus the next three months become immediately due. Operating cost amounts are disclosed in the section "*Liquidity and Capital Resources – Contractual Commitments*". NXT pays an estimated operating cost during the current year, but has the obligation to pay the actual operating costs incurred as defined in the office lease with the Landlord early in the first quarter of the preceding year if the estimate was low, or will receive a refund if the estimate was too high. Currently, the Company believes that the current operating cost estimate is reasonable and is consistent with discussions with the Landlord.

Transactions with Related Parties

Related party fees incurred were as follows:

	Q4-21	Q4-20	YE-21	YE-20
Legal fees	$ 20,117	$ 3,100	$ 85,815	$ 224,479
Design services	-	-	4,013	-

One of the members of NXT's Board of Directors is a partner in a law firm which provides legal advice to NXT. Accounts payable and accrued liabilities includes a total of $16,000 ($1,570 as at December 31, 2020) payable to this law firm.

Accounts payable and accrued liabilities includes $11,467 ($Nil as at December 31, 2020) related to reimbursement of expenses owing to an executive officer.

A company owned by a family member of an executive officer was contracted to provide presentation design services to the Company.

The Geothermal Right was acquired from the Company's CEO on April 18, 2021. As discussed in the section "*Discussion of Operations - Acquisition of the Geothermal Right*", the Company acquired the Geothermal Right from its Chairman, President and Chief Executive Officer, Mr. Liszicasz in Q2-21.

Critical Accounting Estimates

In preparing these consolidated financial statements, NXT is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions. In the opinion of management, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's significant accounting policies. The estimates and assumptions used are based upon management's best estimate as at the date of the consolidated financial statements. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period when determined. Actual results may differ from those estimates.

Critical accounting estimates relate primarily to the use of the going concern assumption, estimated useful lives and the valuation of intellectual property and property and equipment, and the measurement of stock-based compensation expense.

Changes in Accounting Policies

The consolidated financial statements of NXT for YE-21 have been prepared by management in accordance with US GAAP. The accounting policies applied are consistent with those outlined in NXT's annual audited consolidated financial statements for the year ended December 31, 2021 available on NXT's website at www.nxtenergy.com and on SEDAR at www.sedar.com.

Leases

During 2021, the Company determined that the amounts previously recorded for the aircraft lease were calculated incorrectly and the US$ denominated lease liability had not been re-measured to Canadian dollars each reporting period as required. The result of these corrections are to reduce the value of both the right of use assets and lease obligations, with changes to related income statement accounts. The Company has determined that the effect of these adjustments are not material.

The Company has recorded the adjustments in the related accounts in the comparative periods in this MD&A and the consolidated financial statements. The specific accounts affected are deposits, right of use assets, current portion of lease obligations, long-term lease obligations, deficit, SFD® related costs, interest income (expense), and foreign exchange loss (gain). The loss per share in each of the comparative periods did not change as a result of these immaterial corrections. The charts below highlight the changes to each account in each of the comparative periods.

			December 31, 2020
	As previously reported	Adjustments	Adjusted
Deposits	$ 526,560	$ (100,730)	$ 425,830
Right of use assets	2,415,430	(423,658)	1,991,772
Current portion of lease obligations	(773,465)	85,474	(687,991)
Long-term portion of lease obligations	(1,896,277)	494,430	(1,401,847)
Deficit	83,934,230	(55,516)	83,878,714

	For the year ended December 31, 2020		
	As previously reported	Adjustments	Adjusted
SFD® related costs	$ 1,091,587	$ 19,483	$ 1,111,070
Interest (income) expense, net	(11,535)	(2,527)	(14,062)
Foreign exchange loss (gain)	(76,029)	11,597	(64,432)
Net loss	(5,999,675)	(28,553)	(6,028,228)

	For the three months ended December 31, 2020		
	As previously reported	Adjustments	Adjusted
SFD® related costs	$ 304,553	$ 2,133	$ 306,686
Interest (income) expense, net	5,510	(521)	4,989
Foreign exchange loss (gain)	137,081	(33,375)	103,706
Net loss	(1,685,210)	31,763	(1,653,447)

Accounting for the above adjustments, the adoption of Topic 842 resulted in the initial recognition of right of use assets of approximately $3.2 million, current lease liabilities of approximately $0.7 million, and non-current lease liabilities of approximately $2.8 million as at January 1, 2019. Before the above retrospective adjustments, at January 1, 2019, the Company recorded the initial recognition of right of use assets of approximately $3.5 million, current lease liabilities of approximately $0.7 million, and non-current lease liabilities of approximately $3.4 million.

Consolidated Statement of Cash Flows

In the preparation of the annual financial statements as at and for the year ended December 31, 2021, the Company has determined that certain amounts previously recorded in the 2019 and 2020 consolidated statements cash flows were not correctly calculated to properly reflect payments on the financial liability, lease obligation payments and accretion, and application of exchange rates to calculate unrealized foreign exchange (gain) loss including the effect of foreign exchange on changes on cash and cash equivalents. The adjustments to correct the respective financial statement line items are not material and did not change the Cash, SFD® related revenues, or Net income (loss) accounts or basic and diluted loss per share. The Company has recorded the adjustments in the related line items in each of the comparative periods. Line items affected on the Consolidated Statement of Cash Flows by the adjustment are: Non-cash lease costs, Change in the carrying amount of right of use assets and lease liabilities, unrealized foreign exchange (gain) loss, Repayment of financial liability and finance lease obligations, Proceeds from (used in) short-term investments, and Effect of foreign exchange rate changes on cash and cash equivalents. The tables below highlight the changes to each line item in each of the comparative periods. Also refer to discussion of the immaterial error correction in note 2 to the annual financial statements as at and for the year ended December 31, 2021.

Consolidated Statements of cash flows	For the year ended December 31, 2020		
	As previously reported	Adjustments	Adjusted
Net loss	$ (5,999,675)	$ (28,553)	$ (6,028,228)
Non-cash lease costs	(171,300)	159,564	(11,736)
Change in carrying amount of right of use assets & lease liabilities	-	21,470	21,470
Unrealized foreign exchange (gain) loss	141,799	(106,656)	35,143
Operating activities	**(3,452,925)**	**45,824**	**(3,407,101)**
Repayment of finance liability and finance lease	(42,515)	(138,693)	(181,208)
Financing activities	**(34,923)**	**(138,693)**	**(173,616)**
Effect of foreign exchange rate changes on cash and cash equivalents	(116,941)	92,868	(24,073)
Net decrease in cash and cash equivalents	**(168,099)**	**-**	**(168,099)**

Consolidated statements of cash flows	For the year ended December 31, 2019		
	As previously reported	Adjustments	Adjusted
Net income	$ 3,772,908	$ 21,801	$ 3,794,709
Non-cash lease costs	(171,056)	159,320	(11,736)
Change in carrying amount of right of use assets & lease liabilities	-	(2,095)	(2,095)
Unrealized foreign exchange (gain) loss	95,557	(31,331)	64,226
Operating activities	**4,052,406**	**147,695**	**4,200,101**
Repayment of finance liability and finance lease	(42,603)	(117,303)	(159,906)
Financing activities	**(1,385,787)**	**(117,303)**	**(1,503,090)**
Proceeds from (used in) short-term investments	42,764	33,175	75,939
Investing activities	**(173,927)**	**33,175**	**(140,752)**
Effect of foreign exchange rate changes on cash and cash equivalents	26,021	(63,567)	(37,546)
Net increase in cash and cash equivalents	**2,518,713**	**-**	**2,518,713**

While condensed consolidated interim financial statements are not prepared for the fourth quarter, the related MD&A disclosure has been adjusted as follows:

Consolidated Statements of cash flows			**Q4-20**
	As previously reported	**Adjustments**	**Adjusted**
Operating activities	$ (926,996)	$ 35,975	$ (891,021)
Financing activities	7,592	(35,975)	(28,383)
Net loss	(1,685,211)	31,764	(1,653,447)
Total non-cash expense items and ARO liabilities settled	669,125	3,401	672,526
Operating activities before change in non-cash working capital balances	(1,016,085)	35,164	(980,921)
Change in non-cash working capital balances	89,089	811	89,900
Total Cash used in operating activities	**(926,996)**	**35,975**	**(891,021)**
Repayment of finance liability	-	(35,975)	(35,975)
Total cash from (used in) financing activities	**7,592**	**(35,975)**	**(28,383)**
Net source (use) of cash	**(42,771)**	**-**	**(42,771)**

Consolidated Statements of cash flows			**YE-20**
	As previously reported	**Adjustments**	**Adjusted**
Operating activities	$ (3,452,925)	$ 45,824	$ (3,407,101)
Financing activities	(34,923)	(138,693)	(173,616)
Effect of foreign exchange changes on cash	(116,942)	92,869	(24,073)
Net loss	(5,999,675)	(28,553)	(6,028,228)
Total non-cash expense items and ARO liabilities settled	1,920,981	74,378	1,995,359
Operating activities before change in non-cash working capital balances	(4,078,694)	45,825	(4,032,869)
Change in non-cash working capital balances	625,769	(1)	625,768
Total Cash used in operating activities	**(3,452,925)**	**45,824**	**(3,407,101)**
Repayment of finance liability and lease liability	(42,515)	(138,693)	(181,208)
Total cash from (used in) financing activities	**(34,923)**	**(138,693)**	**(173,616)**
Net source (use) of cash	**(168,099)**	**-**	**(168,099)**

Financial Instruments and Other Instruments

The Company's non-derivative financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities. The carrying value of these financial instruments approximates their fair values due to their short terms to maturity. NXT is not exposed to significant interest arising from these financial instruments, but is exposed to significant credit risk with accounts receivable. For accounts receivable, where possible, NXT requests advance payments and utilizes risk mitigation products offered by entities such as Export Development Canada including, for example, insurance coverage of contract accounts receivable, guarantee support for contract performance bonds and wrongful call insurance for such bonds.

NXT is exposed to foreign exchange risk as a result of holding foreign denominated financial instruments. Any unrealized foreign exchange gains and losses arising on such holdings are reflected in earnings at the end of each period.

As at December 31, 2021 and December 31, 2020, the Company held no derivative financial instruments. For more information relating to risks, see the section titled "*Liquidity and Capital Resources – Net Working Capital*".

Outstanding Share Capital

	March 31, 2022	December 31, 2021	December 31, 2020
Common Shares	65,301,972	65,250,710	64,437,790
Options	358,660	358,660	421,000
Deferred Share Units	37,354	37,354	37,354
Restricted Share Units	696,666	696,666	1,200,000
ESP Plan Shares	-	-	23,532
Total share capital and dilutive securities	66,394,652	66,343,390	66,119,676

	Director & Officer Share Capital at		
	March 31, 2022	December 31, 2021	December 31, 2020
Frank Ingriselli [1]	50,000	50,000	50,000
George Liszicasz [1 & 2]	15,381,432	15,378,679	15,030,683
Charles Selby [1]	408,161	408,161	408,161
John Tilson [1]	5,916,208	5,916,208	5,552,208
Bruce G. Wilcox [1]	410,000	410,000	365,000
Eugene Woychyshyn [2]	205,440	185,445	54,442
Total Director and Officer Share Capital	22,371,241	22,348,493	21,460,494

[1] Director of NXT
[2] Officer of NXT

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

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

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

The Company has established and maintains ICFR using the criteria that were set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). The control framework was designed or caused to be designed under the supervision of the Responsible Officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP.

In evaluating the effectiveness of the Company's DCPs as defined under the rules adopted by the Canadian securities regulatory authorities and by the United States Securities and Exchange Commission, the Company's Responsible Officers concluded that there are material weaknesses in the Company's ICFR that have a direct impact on the Company's DCPs:

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

- NXT does not have a sufficient level of staff with specialized expertise to adequately conduct separate preparation and a subsequent independent review of certain complex or highly judgmental accounting issues. NXT partially mitigates this deficiency by preparing financial statements with their best judgments and estimates of the complex accounting matters and relies on reviews by management, external consultants and the Audit Committee.

From time to time to reduce these risks and to supplement a small corporate finance function, the Company engages various outside experts and advisors to assist with various accounting, controls and tax issues in the normal course.

Given the small size of the Company's finance team, management has established a practice of increased engagement of the Company's Disclosure Committee and Audit Committee in reviewing the public disclosure and has increased the engagement of external consultants and legal counsel as well.

The Responsible Officers concluded that, as at December 31, 2021, its ICFR is not effective and as a result its DCPs are not sufficiently effective. NXT reached this conclusion based upon its assessment that there is a more than remote likelihood that its ICFR will not prevent or detect material misstatements if they should exist in the Company's consolidated financial statements. The Responsible Officers continue to take certain actions to mitigate these material weaknesses including:

- the implementation of controls with regards to the review procedures surrounding its disclosure; and
- engagement of third-party specialists. In addition, the Chief Financial Officer engages subject matter consultants as the need arises.

There were no changes to the Company's ICFR in Q4-21.

It should be noted that a control system, including the Company's DCPs and ICFR, no matter how well conceived, can provide only reasonable, but not absolute assurance that the objectives of the control system will be met, and it should not be expected that the DCPs and ICFR will prevent all errors or fraud.

Additional Information

Additional information related to the Company, including the Company's Annual Information Form, is available on NXT's website at www.nxtenergy.com and on SEDAR at www.sedar.com.

NXT ENERGY SOLUTIONS INC.

Consolidated Financial Statements

For the years ended

December 31, 2021, 2020 and 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors NXT Energy Solutions Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of NXT Energy Solutions Inc. (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company's current and forecasted cash and cash equivalents and short-term investments position is not expected to be sufficient to meet its obligations that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Indicators of impairment for the intellectual property

As discussed in Note 9 to the consolidated financial statements, the Company had $14,867,023 of intellectual property as of December 31, 2021, of which $14,600,600 related to Stress Field Detection rights associated with hydrocarbon detection technology ("SFD"). As discussed in Note 2 to the consolidated financial statements, the Company assesses the recoverability of the intellectual property whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Since the inception of the Company's operations, there has been inconsistency in the occurrence, amount and timing of SFD related revenue. The Company's assessment of indicators of impairment for the intellectual property includes the consideration of the carrying amount of the Company's net assets compared to a range of indicative fair values determined using the following inputs and significant assumptions:

– the Company's market capitalization and publicly available control premiums for comparable entities, and

– the Company's historical and forecasted SFD related revenue and publicly available trading revenue multiples for comparable entities.

We identified the assessment of indicators of impairment for the intellectual property as a critical audit matter. The inconsistency in SFD related revenue indicated a higher risk that the intellectual property may not be recoverable, and therefore involved challenging auditor judgment. The control premiums, forecasted SFD related revenue and trading revenue multiples assumptions used to determine a range of indicative fair values of the Company net assets were challenging to test as they represented subjective determinations of conditions that were also sensitive to variations. Minor changes to those assumptions could have had a significant effect on the Company's assessment of indicators of impairment. Additionally, the evaluation of the Company's determination of control premiums and trading revenue multiples required specialized skills and knowledge.

The following are the primary procedures we performed to address the critical audit matter. We evaluated the Company's forecasted SFD related revenue by comparing to contracted and noncontracted future SFD related revenue and related documentation, including Company press releases and board minutes. We involved a valuation professional with specialized skills and knowledge, who assisted in:

– evaluating the Company's determination of the control premiums by comparing to a range that was independently developed using publicly available market data for comparable entities.

– evaluating the Company's determination of the trading revenue multiples applied to historical and forecasted SFD related revenue by comparing to a range that was independently developed using publicly available market data from comparable entities.

We have served as the Company's auditor since 2006.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 31, 2022

NXT ENERGY SOLUTIONS INC.

Consolidated Balance Sheets

(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020 Adjusted - Note 2
Assets		
Current assets		
Cash and cash equivalents	$ 2,257,855	$ 2,690,146
Short-term investments (Note 3)	550,000	341,261
Accounts receivable (Note 4)	841,567	965,548
Prepaid expenses and deposits (Note 5)	265,436	77,532
	3,914,858	4,074,487
Long term assets		
Deposits (Note 6)	234,475	425,830
Property and equipment (Note 7)	624,763	707,326
Right of Use Assets (Note 8)	1,943,252	1,991,772
Intellectual property (Note 9)	14,867,023	16,285,333
	$ 21,584,371	$ 23,484,748
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Notes 10, 25)	$ 500,625	$ 440,537
Contract obligations (Note 11)	-	127,507
Current portion of long-term debt (Note 12)	64,815	-
Current portion of lease obligations (Note 13)	532,936	687,991
	1,098,376	1,256,035
Long-term liabilities		
Long-term debt (Note 12)	935,185	-
Long-term lease obligations (Note 13)	1,369,668	1,401,847
Asset retirement obligations (Note 14)	22,337	22,741
	2,327,190	1,424,588
	3,425,566	2,680,623
Shareholders' equity		
Common shares (Note 16): - authorized unlimited		
Issued: 65,250,710 (2020 - 64,437,790) common shares	95,779,352	95,327,123
Contributed capital	9,381,966	9,355,716
Deficit (Note 2)	(87,002,513)	(83,878,714)
	18,158,805	20,804,125
	$ 21,584,371	$ 23,484,748

Going Concern (Note 1)
Commitments (Note 15)
Subsequent event (Note 15)

Signed "George Liszicasz"
Director

Signed "Bruce G. Wilcox"
Director

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

NXT ENERGY SOLUTIONS INC.

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

(Expressed in Canadian dollars)

	For the Year ended December 31		
	2021	**2020**	**2019**
		Adjusted - Note 2	Adjusted - Note 2
Revenue			
SFD® related revenue (Note 22)	$ 3,134,250	$ 136,566	$ 11,976,149
Expenses			
SFD® related costs, net (Note 23)	1,224,168	1,111,070	2,653,055
General and administrative expenses (Note 18, 24 & 25)	3,189,857	3,341,010	3,541,594
Amortization (Notes 7,9)	1,776,484	1,780,806	1,781,181
	6,190,509	6,232,886	7,975,830
Other expenses (income)			
Interest (income) expense, net	37,955	(14,062)	(28,959)
Foreign exchange loss (gain)	8,597	(64,432)	177,736
Intellectual property and other	20,988	10,402	56,833
	67,540	(68,092)	205,610
Income (loss) before income taxes	(3,123,799)	(6,028,228)	3,794,709
Income tax expense (Note 19)	-	-	-
Net income (loss) and comprehensive income (loss)	$ (3,123,799)	$ (6,028,228)	$ 3,794,709
			-
Net income (loss) per share (Note 17)			
Basic	$ (0.05)	$ (0.09)	$ 0.06
Diluted	$ (0.05)	$ (0.09)	$ 0.06

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

NXT ENERGY SOLUTIONS INC.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	For the Year ended December 31		
	2021	**2020** Adjusted - Note 2	**2019** Adjusted - Note 2
Cash from (used in):			
Operating activities			
Net income (loss)	$ (3,123,799)	$ (6,028,228)	$ 3,794,709
Items not affecting cash:			
Stock based compensation expense (Note 18)	287,900	168,416	43,809
Amortization	1,776,484	1,780,806	1,781,181
Accretion expense (recovery) (Note 14)	(404)	2,069	2,068
Non-cash lease costs	(11,736)	(11,736)	(11,736)
Change in carrying amount of right of use assets & lease liabilities	24,508	21,470	(2,095)
Unrealized foreign exchange (gain) loss	157	35,143	64,226
Change in non-cash working capital balances (Note 21)	13,717	625,768	(1,464,695)
ARO liabilities settled (Note 14)	-	(809)	(7,366)
	2,090,626	2,621,127	405,392
Net cash from (used in) operating activities	(1,033,173)	(3,407,101)	4,200,101
Financing activities			
Proceeds from the Employee Share Purchase plan	69,259	7,592	-
Proceeds from long-term debt (Note 12)	1,000,000	-	-
Shares purchased and retired (Note 16)	-	-	(1,343,184)
Share issuance costs (Note 16)	(42,697)	-	-
Repayment of financial liability and lease obligation (Note 13 and 15)	(151,134)	(181,208)	(159,906)
Net cash from (used in) financing activities	875,428	(173,616)	(1,503,090)
Investing activities			
Acquisition of intellectual property (Note 9)	(65,310)	-	-
Purchase of property and equipment, net	-	-	(216,691)
Proceeds from (used in) short-term investments	(208,739)	3,436,691	75,939
Net cash from (used in) investing activities	(274,049)	3,436,691	(140,752)
Effect of foreign exchange rate changes on cash and cash equivalents	(497)	(24,073)	(37,546)
Net increase (decrease) in cash and cash equivalents	(432,291)	(168,099)	2,518,713
Cash and cash equivalents, beginning of the year	2,690,146	2,858,245	339,532
Cash and cash equivalents, end of the year	$ 2,257,855	2,690,146	$ 2,858,245
Supplemental information			
Cash interest paid (received)	14,284	(21,422)	(16,724)
Cash taxes paid	-	-	-

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

NXT ENERGY SOLUTIONS INC.

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian dollars)

	For the Year ended December 31		
	2021	**2020**	**2019**
		Adjusted - Note 2	Adjusted - Note 2
Common Shares			
Balance at beginning of the year	$ 95,327,123	$ 95,313,064	$ 96,656,248
Shares purchased and retired during the year (Note 16)	-	-	(1,343,184)
Issuance of common stock on Employee Share Purchase Plan (Note 16)	173,023	14,059	-
Issuance of common stock on Restricted Stock Unit Plan (Note 16)	114,604	-	-
Issuance of common stock on acquisition of SFD® Geothermal Right, net of share issuance costs (Note 16)	164,602	-	-
Balance at end of the year	95,779,352	95,327,123	95,313,064
Contributed Capital			
Balance at beginning of the year	9,355,716	9,306,493	9,262,684
Issuance of Equity for intellectuual property (Note 16)	207,300	-	-
Transfer of equity to common shares (Note 16)	(207,300)	-	-
Recognition of stock based compensation expense (Note 18)	26,250	49,223	43,809
Balance at end of the year	9,381,966	9,355,716	9,306,493
Deficit			
Balance at beginning of the year	(83,878,714)	(77,850,486)	(81,645,195)
Net (loss) income	(3,123,799)	(6,028,228)	3,794,709
Balance at end of the year	(87,002,513)	(83,878,714)	(77,850,486)
Total Shareholders' Equity at end of the year	$ 18,158,805	$ 20,804,125	$ 26,769,071

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

1. The Company and going concern

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

NXT's proprietary Stress Field Detection ("SFD®") technology is an airborne survey system that utilizes quantum-scale sensors to detect gravity field perturbations in an airborne survey method which can be used both onshore and offshore to remotely identify traps and reservoirs with exploration potential in both the hydrocarbon and geothermal industries.

These consolidated financial statements of NXT have been prepared by management in accordance with generally accepted accounting principles of the United States of America ("US GAAP").

These consolidated financial statements reflect adjustments, all of which are normal recurring adjustments that are, in the opinion of management, necessary to reflect fairly the financial position and results of operations for the respective periods.

These consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that NXT will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The events described in the following paragraphs highlight that there is substantial doubt about NXT's ability to continue as a going concern within one year after the date that these consolidated financial statements have been issued. The Company's current cash position is not expected to be sufficient to meet the Company's obligations and planned operations for a year beyond the date that these consolidated financial statements have been issued.

The Company has plans in place to reduce operating costs including payroll and other general and administrative costs and is evaluating alternatives to reduce other costs. If required, further financing options that may or may not be available to the Company include issuance of new equity, debentures or bank credit facilities. The need for any of these options will be dependent on the timing of securing new SFD® related revenues and obtaining financing on terms that are acceptable to both the Company and the financier.

NXT continues to develop its pipeline of opportunities to secure new revenue contracts. However, the Company's longer-term success remains dependent upon its ability to convert these opportunities into successful contracts, to continue to attract new client projects, ultimately to expand the revenue base to a level sufficient to exceed fixed operating costs and generate consistent positive cash flow from operations. The occurrence and timing of these events cannot be predicted with sufficient certainty.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications used. These adjustments could be material.

Covid-19 Pandemic

As of the date of these consolidated financial statements the Covid-19 pandemic continues to be a risk to the operations of the Company. The Company has made provisions so employees can work safely in the office or if necessary from home, followed all Alberta Health Services and Health Canada recommendations, and implemented hygiene and physical distancing policies. Demand for our services and prospective revenues may become adversely impacted the longer the Covid-19 pandemic continues. The impact of the continuation of the Covid-19 pandemic may hamper our ability to deliver SFD® related revenues in the following ways. If restrictions on international travel continue, our aircraft and personal may not be able to perform project surveys. An outbreak of the virus among our staff or our customers' personnel could delay any survey in progress. Business development may be delayed when in-person meetings and technical presentations may be a superior delivery method to tele-conferences or on-line video conferencing.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect to the Company is not known at this time. Estimates and judgments made by management in the preparation of these consolidated financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

Use of Estimates and Judgements

In preparing these consolidated financial statements, NXT is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions. In the opinion of management, these consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the Company's significant accounting policies. The estimates and assumptions used are based upon management's best estimate as at the date of the consolidated financial statements. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period when determined. Actual results may differ from those estimates.

Critical accounting estimates relate primarily to the use of the going concern assumption, estimated useful lives and the valuation of intellectual property, property and equipment and the measurement of stock-based compensation expense.

2. Significant Accounting Policies
Basis of Presentation

These consolidated financial statements for the period ended December 31, 2021 have been prepared by management in accordance with US GAAP.

Consolidation

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and short term Guaranteed Investment Certificates ("GIC's") with an original maturity less than 90 days from the date of acquisition.

Short Term Investments

Short term investments consist of short term GICs, with original maturity dates greater than 90 days and up to one year.

Derivative Instruments

Derivative instruments are recognized on the balance sheet at fair value with any changes in fair value between periods recognized in the determination of net income (loss) for the period. NXT does not apply hedge accounting to any of its derivatives. As at December 31, 2021 and 2020, NXT had no outstanding derivative instruments.

Fair Value Measures

For any balance sheet items recorded at fair value on a recurring basis or non-recurring basis, the Company is required to classify the fair value measure into one of three categories based on the fair value hierarchy noted below.

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

At December 31, 2021, the fair value of the restricted stock units ("RSU") liability based on share price was determined using Level I inputs.

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

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

The determination of the fair value of the acquisition of the Intellectual property (Note 9) was determined using Level III inputs.

Measurement of credit losses on financial instruments

The impairment model of financial instruments is based on expected losses rather than incurred losses. In making the assessment of expected losses, the Company considers the following factors: historically realized bad debts; a counterparty's present financial condition and whether a counterparty has breached certain contracts; the probability that a counterparty will enter bankruptcy; changes in economic conditions that correlate to increased levels of default and term to maturity of the specific receivable. These expected credit losses are recognized as an allowance rather than as a direct write-down of the amortized cost basis.

Deposits

Deposits consist of security payments made to lessors for the Company's office and aircraft lease. They are classified as long term if the lease end date is greater than one year.

Property and Equipment

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

Computer hardware (including survey equipment)	30% declining balance
Aircraft equipment	10% declining balance
Furniture and other equipment	20% declining balance
Leasehold improvements	10% declining balance

Intellectual Property

Intellectual property acquired is recorded at cost, less accumulated amortization, which is recorded over the estimated minimum useful life of the assets. The Company incurs periodic costs that are expensed when incurred to file patents and to maintain them.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, which includes property, equipment and intellectual property for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. The Company considers both internal and external factors when assessing for potential indicators of impairment, and with respect to intellectual property, the Company's assessment includes consideration of historical and forecasted SFD® related revenues, market capitalization, control premiums, and the SFD® related revenue multiples compared to industry peers.

When indicators of impairment exist, the Company first compares the total of the estimated undiscounted future cash flows or the estimated sale price to the carrying value of an asset. If the carrying value exceeds these amounts, an impairment loss is recognized for the excess of the carrying value over the estimated fair value of the asset.

Research and Development Expenditure

Research and development ("R&D") expenditures incurred to develop, improve and test the SFD® survey system and related components are expensed as incurred. Any intellectual property that is acquired for the purpose of enhancing research and development projects, if there is no alternative use for the intellectual property, is expensed in the period acquired. No significant external R&D was incurred in the years ended 2021, 2020 and 2019.

Foreign Currency Translation

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

Income Taxes

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

Stock Based Compensation

NXT follows the fair value method of accounting for stock options, restricted stock units, deferred stock units, and the employee share purchase plan (the "Share Compensation Plans") that are granted to acquire common shares under NXT's Share Compensation Plans. For equity-settled stock-based compensation awards, fair values are determined at the grant date and the expense, net of estimated forfeitures, is recognized over the requisite service period with a corresponding increase recorded in contributed capital. An adjustment is made to compensation for any differences between the estimated forfeitures and the actual forfeitures. For cash-settled stock-based compensation awards, fair values, based on observable prices, are determined at each reporting date and periodic changes are recognized as compensation costs, with a corresponding change to liabilities.

Upon exercise or realization of the equity-settled Share Compensation Plans, the consideration received by NXT, and the related amount which previously recorded in contributed capital, is recognized as an increase in the recorded value of the common shares of the Company.

Net Income (Loss) Per Share

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

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

Revenue

SFD® Surveys

The performance obligation for NXT in SFD® surveys is the acquisition, processing, interpretation and integration of Stress Field Detection (SFD®) data. Revenue from the sale of SFD® survey contracts (excluding any related foreign value added taxes) is recognized over time by measuring the progress toward satisfaction of its performance obligation to the customer. All funds received or invoiced in advance of recognition of revenue are reflected as contract obligations and classified as a current liability on our balance sheet.

The Company uses direct survey costs as the input measure to recognize revenue in any fiscal period. The percentage of direct survey costs incurred to date over the total expected survey costs to be incurred, provides an appropriate measure of the stage of the performance obligation being satisfied over time.

SFD® Data Sales

The performance obligation for NXT in SFD® data sales is the delivery of the promised specific services as itemized in the contract with the customer. Revenue from the sale of SFD® data sale (excluding any related foreign value added taxes) is recognized once the services are completed and the data is transferred to the customer.

Leases

The Company determines if an arrangement is an operating or finance lease, as defined under U.S. GAAP, at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. These leases are included in right-of-use ("ROU") assets and lease obligations in the Consolidated Balance Sheet.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the obligation to make lease payments arising from such leases. Lease obligations are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term, taking into consideration conditions such as incentives and termination penalties, as appropriate. A corresponding ROU asset is recognized at the amount of the lease obligation, adjusted for payments made prior to lease commencement or initial direct costs, if any.

(Expressed in Canadian dollars unless otherwise stated)

When calculating the present value, the Company uses the rate implicit in the lease, or uses its incremental borrowing rate for a similar term and risk profile based on the information available at the commencement date. The Company's lease terms may have options to extend or terminate the lease which are included in the calculation of lease obligations when it is reasonably certain that it will exercise those options. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Office and equipment lease expenses are included within General and administrative expenses; the aircraft lease cost is included within SFD® related costs.

Lease agreements can contain both lease and non-lease components, which are accounted for separately.

During 2021 the Company determined that the amounts previously recorded for the Aircraft lease were calculated incorrectly and the United States Dollar denominated lease liability had not been re-measured to Canadian Dollars each reporting period as required. The result of these corrections are to reduce the value of both the Right of use assets and Lease obligations, with changes to related income statement. The Company has determined that the effect of these adjustments are not material. The Company has recorded the adjustments in the related accounts in the comparative periods in these financial statements. On the balance sheet and income statement, the specific accounts affected are Deposits, Right of use assets, Current portion of lease obligations, Long-term lease obligations, Deficit, SFD® related costs, Interest income (expense), and Foreign exchange loss (gain). The loss per share in each of the comparative periods did not change as a result of these immaterial corrections. The tables below highlight the changes to each account in each of the comparative periods.

			December 31, 2020
Balance Sheet	**As previously reported**	**Adjustments**	**Adjusted**
Deposits	$ 526,560	$ (100,730)	$ 425,830
Right of use assets	2,415,430	(423,658)	1,991,772
Current portion of lease obligations	(773,465)	85,474	(687,991)
Long-term portion of lease obligations	(1,896,277)	494,430	(1,401,847)
Deficit	83,934,230	(55,516)	83,878,714

(Expressed in Canadian dollars unless otherwise stated)

Income Statement	For the year ended December 31, 2020		
	As previously reported	Adjustments	Adjusted
SFD® related costs	$ 1,091,587	$ 19,483	$ 1,111,070
Interest (income) expense	(11,535)	(2,527)	(14,062)
Foreign exchange loss (gain)	(76,029)	11,597	(64,432)
Net loss	(5,999,675)	(28,553)	(6,028,228)

Income Statement	For the year ended December 31, 2019		
	As previously reported	Adjustments	Adjusted
SFD® related costs	$ 2,611,086	$ 41,969	$ 2,653,055
Interest (income) expense	(20,684)	(8,275)	(28,959)
Foreign exchange loss (gain)	233,231	(55,495)	177,736
Net income	3,772,908	21,801	3,794,709
Deficit	77,934,555	(84,069)	77,850,486

Accounting for the above adjustments, the adoption of Topic 842 resulted in the initial recognition of right-of-use assets of approximately $3.2 million, current lease liabilities of approximately $0.7 million, and non-current lease liabilities of approximately $2.8 million as at January 1, 2019. Before the above retrospective adjustments, at January 1, 2019, the Company recorded the initial recognition of right-of-use assets of approximately $3.5 million, current lease liabilities of approximately $0.7 million, and non-current lease liabilities of approximately $3.4 million. The disclosures in notes 5, 6, 8, 13, 17, 19 and 23 have also been revised.

Consolidated Statement of Cash Flows

In the preparation of the annual financial statements as at and for the year ended December 31, 2021, the Company has determined that certain amounts previously recorded in the 2019 and 2020 consolidated statements of cash flows were not correctly calculated to properly reflect payments on the financial liability, lease obligation payments and accretion, and application of exchange rates to calculate unrealized foreign exchange (gain) loss including the effect of foreign exchange on changes on cash and cash equivalents. The adjustments to correct the respective financial statement line items are not material and did not change the Cash, SFD® related revenues, or Net income (loss) accounts or basic and diluted loss per share. The Company has recorded the adjustments in the related line items in each of the comparative periods. Line items affected on the Consolidated Statement of Cash Flows by the adjustment are: Non-cash lease costs, Change in the carrying amount of right of use assets and lease liabilities, unrealized foreign exchange (gain) loss, Repayment of financial liability and finance lease obligations, Proceeds from (used in) short-term investments, and Effect of foreign exchange rate changes on cash and cash equivalents. The tables below highlight the changes to each line item in each of the comparative periods.

(Expressed in Canadian dollars unless otherwise stated)

Consolidated Statements of cash flows	For the year ended December 31, 2020		
	As previously reported	Adjustments	Adjusted
Net loss (see Note 2 "*Leases*")	$ (5,999,675)	$ (28,553)	$ (6,028,228)
Non-cash lease costs	(171,300)	159,564	(11,736)
Change in carrying amount of right of use assets & lease liabilities	-	21,470	21,470
Unrealized foreign exchange (gain) loss	141,799	(106,656)	35,143
Operating activities	**(3,452,925)**	**45,824**	**(3,407,101)**
Repayment of financial liability	(42,515)	(138,693)	(181,208)
Financing activities	**(34,923)**	**(138,693)**	**(173,616)**
Effect of foreign exchange rate changes on cash and cash equivalents	(116,941)	92,868	(24,073)
Net increase (decrease) in cash and cash equivalents	**(168,099)**	**-**	**(168,099)**

Consolidated statements of cash flows	For the year ended December 31, 2019		
	As previously reported	Adjustments	Adjusted
Net income (see Note 2 "*Leases*")	$ 3,772,908	$ 21,801	$ 3,794,709
Non-cash lease costs	(171,056)	159,320	(11,736)
Change in carrying amount of right of use assets & lease liabilities	-	(2,095)	(2,095)
Unrealized foreign exchange (gain) loss	95,557	(31,331)	64,226
Operating activities	**4,052,406**	**147,695**	**4,200,101**
Repayment of financial liability and finance lease obligations	(42,603)	(117,303)	(159,906)
Financing activities	**(1,385,787)**	**(117,303)**	**(1,503,090)**
Proceeds from (used in) short-term investments	42,764	33,175	75,939
Investing activities	**(173,927)**	**33,175**	**(140,752)**
Effect of foreign exchange rate changes on cash and cash equivalents	26,021	(63,567)	(37,546)
Net increase (decrease) in cash and cash equivalents	**2,518,713**	**-**	**2,518,713**

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as an expense reduction in the period in which the costs are incurred. Where the grant relates to an asset, it is recognized as a reduction to the net book value of the related asset and then subsequently in net loss over the expected useful life of the related asset through lower charges to amortization and impairment.

3. Short-term investments

As at December 31, 2021 and 2020 all GIC's had less than one year left before maturity. For December 31, 2021, interest rates ranged from 0.85% to 0.87%. (2020: 0.50% to 1.75%.)

Days to maturity	December 31, 2021	December 31, 2020
Less than 90 days	$ -	$ 191,261
90 days to one year	550,000	150,000
	550,000	341,261

4. Accounts Receivable

Accounts receivable are all current as at December 31, 2021. US$200,000 (CDN$246,922) of outstanding trade receivables was received in February 2022.

	December 31, 2021	December 31, 2020
Trade receivables	$806,460	$804,059
Other receivables	35,107	161,489
	841,567	965,548
Allowance for doubtful accounts	-	-
Net accounts receivable	841,567	965,548

The entire trade receivable was with one client as at December 31, 2021 and 2020.

5. Prepaid expenses and deposits

Security deposits have been made to the lessors of the office building and the aircraft. The aircraft deposit is denominated in United States Dollars and the amount of US$150,000 (CDN$191,166) is expected to be returned to the Company in the second quarter of 2022. (See Note 15).

	December 31, 2021	December 31, 2020
		(Adjusted – Note 2)
Prepaid expenses	$ 74,270	$ 77,532
Aircraft deposit	191,166	-
	265,436	77,532

6. Deposits

Security deposits have been made to the lessors of the office building and the aircraft. The aircraft deposit is denominated in United States Dollars.

	December 31, 2021	December 31, 2020
		(Adjusted – Note 2)
Building	$ 43,309	$ 43,309
Aircraft	191,166	382,521
	234,475	425,830

7. Property and equipment

			December 31, 2021
	Cost Base	Accumulated Amortization	Net book value
Survey equipment	$892,637	$701,911	$190,726
Computers and software	1,265,045	1,242,504	22,541
Furniture and other equipment	528,419	516,084	12,335
Leasehold improvements	1,084,573	685,412	399,161
	3,770,674	3,145,911	624,763

			December 31, 2020
	Cost Base	Accumulated Amortization	Net book value
Survey equipment	$892,637	$676,442	$216,195
Computers and software	1,265,045	1,232,844	32,201
Furniture and other equipment	528,419	513,001	15,418
Leasehold improvements	1,084,573	641,061	443,512
	3,770,674	3,063,348	707,326

(Expressed in Canadian dollars unless otherwise stated)

8. Right of use assets

	December 31, 2021		
	Cost Base	Accumulated Amortization	Right of Use
Aircraft	$1,870,808	$1,073,365	$797,443
Office Building	1,805,447	664,372	1,141,075
Printer	17,794	13,060	4,734
	3,694,049	1,750,797	1,943,252

	December 31, 2020		
	Cost Base	Accumulated Amortization	Right of Use
			(Adjusted – Note 2)
Aircraft	$1,256,787	$658,562	$ 598,225
Office Building	1,799,626	415,559	1,384,067
Printer	17,794	8,314	9,480
	3,074,207	1,082,435	1,991,772

In the fourth quarter of 2021, the Company determined it was reasonably certain it would extended term of its Aircraft Leasing Agreement effective in the second quarter of 2022 for a period of 24 months with payments of approximately US$22,500 (CDN$28,675) per month, or US$270,000 (CDN$344,099) per year. The incremental borrowing rate is 11.2%. The Company recognized an additional $615,737 Aircraft ROU assets and US$481,797 ($615,737) additional Lease obligations. Should NXT want to repurchase the aircraft at the end of the extended term, the purchase price will be US$1.21 million.

9. Intellectual property

Acquisition of SFD® Geothermal Right

The Company acquired the SFD® technology rights for geothermal resources (“Geothermal Right”) from Mr. George Liszicasz, President and CEO of NXT (“CEO”) on April 18, 2021. The consideration deliverable by the Company in connection with the acquisition of the Geothermal Right is set forth below:

1. US$40,000 (CAD$50,310) signature payment, which became due immediately and was paid on April 22, 2021;
2. 300,000 common shares, which were issued in December 2021;
3. CAD$15,000 signature milestone payment paid in August 2021;
4. US$200,000 milestone payment which will become due in the event that the Company's cash balance exceeds CAD$5,000,000 due to receipt of specifically defined funds from operations; and
5. US$250,000 milestone payment which will become due in the event that the Company executes and completes and receives full payment for an SFD® contract valued at US$10,000,000 or

(Expressed in Canadian dollars unless otherwise stated)

greater, provided such contract is entered into and completed and payment of at least US$5,000,000 is received by April 18, 2023.

As of December 31, 2021 the Company has recognized $275,610 for the acquisition Geothermal Right which is the combination of the US$40,000 (CAD$50,310) and CAD$15,000 signature payments, the value of the 300,000 common shares of $207,300 and other costs of $3,000. Before the 300,000 common shares were issued by the Company, the value of the common shares was recorded as Contributed capital. Upon TSX approval, the amount recognized of $207,300 less issuance costs of $42,697 were reclassified to common shares. The cost of the remaining two milestones will be recognized when it is deemed probable that these two milestones will be achieved by a special committee of the Board of Directors, comprised entirely of independent directors. The Board of Directors delegated authority to the special committee to determine when the milestones have been achieved.

The current book value of the Geothermal Right is being amortized on a straight line basis over its estimated useful life of 20 years. The annual amortization expense expected to be recognized is approximately $13,781 per year for a 5 year aggregate total of approximately $68,902.

SFD® Hydrocarbon Right

During 2015, NXT acquired the rights to the SFD® technology for use in the exploration of hydrocarbons (“Hydrocarbon Right”) from the CEO, and recorded the acquisition as an intellectual property asset on the balance sheet. The asset was recorded at the fair value of the consideration transferred, including the related tax effect of approximately $25.3 million.

The Hydrocarbon Right is being amortized on a straight line basis over its estimated useful life of 15 years. The annual amortization expense expected to be recognized is approximately $1.7 million per year for a 5 year aggregate total of $8.5 million.

			December 31, 2021
	Cost Base	**Accumulated amortization**	**Net book Value**
SFD® Hydrocarbon Right acquired	$ 25,271,000	$10,670,400	$14,600,600
SFD® Geothermal Right acquired	275,610	9,187	266,423
	25,546,610	10,679,587	14,867,023

			December 31, 2020
	Cost Base	**Accumulated amortization**	**Net book Value**
SFD® Hydrocarbon Right acquired	$ 25,271,000	$8,985,667	$16,285,333
	25,271,000	8,985,667	16,285,333

(Expressed in Canadian dollars unless otherwise stated)

10. Accounts payable and accrued liabilities

	December 31, 2021	December 31, 2020
Accrued liabilities related to:		
Consultants and professional fees	$ 203,732	$ 183,920
Payroll	79,544	120,318
Expenses owed to an executive officer (Note 26)	11,467	-
Vacation Accrued	102,536	71,699
	397,279	375,937
Trade payables and other	103,346	64,600
	500,625	440,537

11. Contract Obligations

In December, 2020, the Company received a deposit of US$100,000 to sell pre-existing SFD® data. The SFD® data was delivered to the customer in the second quarter of 2021.

	December 31, 2021	December 31, 2020
Contract obligations	$ -	$ 127,507

12. Long-term debt

On May 26, 2021, the Company received $1,000,000 from the Business Development Bank of Canada's ("BDC") Highly Affected Sectors Credit Availability Program ("HASCAP Loan"), funded by the Royal Bank of Canada. The HASCAP Loan is a $1,000,000 non-revolving ten year term credit facility with an interest rate of 4%. Repayment terms are interest only until May 26, 2022, and monthly principal plus interest payments for the remaining nine years. The HASCAP Loan is secured by a general security agreement and is guaranteed by BDC.

(Expressed in Canadian dollars unless otherwise stated)

Maturity of long-term debt:	
2022	104,167
2023	146,481
2024	142,037
2025	137,593
2026	133,148
2027 to 2031	534,907
Total principal and interest payments	1,198,333
Less interest	(198,333)
Total principal remaining	1,000,000
Current portion of long-term debt	64,815
Non-current portion of long-term debt	935,185

13. Lease obligation

	December 31, 2021	**December 31, 2020**
		(Adjusted – Note 2)
Aircraft	$ 712,762	$ 640,550
Office Building	1,185,356	1,440,056
Printer	4,486	9,232
	1,902,604	2,089,838
Current portion of lease obligations	532,936	687,991
Long-term lease obligations	1,369,668	1,401,847

Maturity of lease liabilities:		**Weighted Average Remaining Lease Term**
2022	$702,215	3.4 years
2023	711,284	2.3 years
2024	481,885	1.5 years
2025	275,389	0.8 years
Total lease payments	2,170,773	
Less imputed interest	(268,169)	
Total discounted lease payments	1,902,604	
Current portion of lease obligations	532,936	
Non-current portion of lease obligations	1,369,668	

(Expressed in Canadian dollars unless otherwise stated)

	Lease Term	Option to Extend	Incremental Borrowing Rate
Aircraft	April 2024	Executed	11.2%
Office Building	September 2025	No	8.2%
Printer	November 2022	No	8.9%

The Company's total lease expenditures for the year ended December 31, 2021 was $1,198,211 (2020 - $1,262,109).

14. Asset Retirement Obligations

Asset retirement obligations ("ARO") relate to minor non-operated interests in oil and natural gas wells in which NXT has outstanding abandonment and reclamation obligations in accordance with government regulations. The estimated future abandonment liability is based on estimates of the future timing and costs to abandon, remediate and reclaim the well sites within the next five years. The net present value of the ARO is as noted below, and has been calculated using an inflation rate of 3.4% and discounted using a credit-adjusted risk-free interest rate of 10%.

	2021	2020	2019
ARO balance, beginning of the year	$ 22,741	$ 21,481	$ 26,779
Accretion expense	2,069	2,069	2,068
Change in ARO estimates	(2,473)	-	-
Costs incurred	-	(809)	(7,366)
ARO balance, end of the year	22,337	22,741	21,481

15. Commitments

The table below is the non-lease operating cost components associated with the costs of the building lease.

For the fiscal year ending December 31,	Office Premises
2022	$ 239,988
2023	239,988
2024	239,988
2025	179,991
	899,955

On March 15, 2022, the Company surrendered 828 square feet of its office building lease to the landlord. As a result its non-lease operating cost commitments for the building lease will reduced by approximately $13,881 for 2022, 17,537 for 2023 and 2024, and $13,150 for 2025. The Company incurred a surrender fee of $14,000 which will be expensed in the first quarter of 2022. The Company will derecognize the following amounts on its balance sheet at the surrender date:

(Expressed in Canadian dollars unless otherwise stated)

Right of Use Assets	$ 77,043
Lease obligations	80,081

In April 2017, NXT completed a sale and leaseback agreement of its aircraft with a Calgary based international aircraft services organization (the "Lessor"). The terms of the agreement resulted in NXT selling its Cessna Citation aircraft that was purchased in 2015 for US$2.0 million, for the sum of US$2.3 million. NXT has leased the aircraft over an initial term of 60 months and retains all existing operating rights and obligations. Proceeds to NXT from the sale were approximately $3.14 million. The net book value of the asset of $2.37 million was derecognized and the resulting gain on disposition of $0.77 million was deferred. The aircraft is recognized on the balance sheet as a right of use asset with a corresponding lease obligation liability. The deferred gain on disposition is considered a financial liability that is being reduced as aircraft lease payments are made. The balance of the financial liability is included in the aircraft lease obligation in Note 13.

16. Common shares

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

			For the years ended	
		December 31, 2021		**December 31, 2020**
	# of shares	$ amount	# of shares	$ amount
As at the beginning of the year	64,437,790	$95,327,123	64,406,891	$95,313,064
Issuance for Employee Share Purchase Plan	304,550	173,023	30,899	14,059
Issuance for Restricted Stock Units	208,370	114,604	-	-
Issuance for SFD® Geothermal Right (Note 9)	300,000	164,602	-	-
As at the end of the year	65,250,710	95,779,352	64,437,790	95,327,123

	For the Year Ended	
	December 31, 2019	
	# of shares	**$ amount**
As at the beginning of the year	68,573,558	$96,656,248
Shares retired during the year	(4,166,667)	(1,343,184)
As at the end of the year	64,406,891	95,313,064

(Expressed in Canadian dollars unless otherwise stated)

In December 2021, the TSX approved the issuance of 300,000 common shares for the SFD® Geothermal Right for a value of $207,300 less issuance costs of $42,697 (Note 9). Before the approval of the TSX, the Company recorded the value of the common share consideration in Contributed capital.

In 2019, the Company purchased 4,166,667 common shares in the capital of the Company at a price of $0.30 per common share for total gross costs of $1.25 million plus related costs of $93,184 through a targeted issuer bid. The 4,166,667 shares were cancelled immediately after they were purchased.

17. Earnings (Loss) per share

	For the years ended December 31,		
	2021	**2020**	**2019**
		(Adjusted – Note 2)	(Adjusted – Note 2)
Net income (loss) for the year	$(3,123,799)	$(6,028,228)	$3,794,709
Weighted average number of shares outstanding for the year:			
Basic	64,658,380	64,409,170	68,156,059
Diluted	64,658,380	64,409,170	68,156,059
Net Income (loss) per share – Basic	$(0.05)	$(0.09)	$0.06
Net Income (loss) per share – Diluted	$(0.05)	$(0.09)	$0.06

During 2019 all stock options were out of the money and are not included in the diluted weighted average number of shares.

18. Share based compensation

The Company has an equity compensation program in place for its executives, employees and directors. Executives and employees are given equity compensation grants that vest based on a recipient's continued employment. The Company's stock-based compensation awards outstanding as at December 31, 2021, include stock options, RSUs, deferred share units ("DSUs") and the ESP Plan. The following tables provide information about stock option, RSU, DSU, and ESP Plan activity.

(Expressed in Canadian dollars unless otherwise stated)

	For the years ended December 31,		
	2021	**2020**	**2019**
Stock Option Expense	$ 26,250	$ 34,223	$ 43,809
Deferred Share Units	-	15,000	-
Restricted Stock Units	154,715	111,060	-
Employee Share Purchase Plan	106,935	8,133	-
Total stock based compensation expense	287,900	168,416	43,809

Stock Options:

The following is a summary of stock options which are outstanding as at December 31, 2021

Exercise price per share	# of options outstanding	# of options exercisable	Average remaining life (in years)
$0.44	21,360	21,360	4.5
$0.49	8,500	8,500	4.2
$0.51	16,000	16,000	3.7
$0.52	100,000	100,000	2.5
$0.55	30,000	30,000	3.1
$0.59	150,000	150,000	1.8
$0.62	18,050	18,050	5.0
$0.68	14,750	14,750	4.7
	358,660	358,660	2.7

A continuity of the number of stock options which are outstanding at the end of the current year and as at the prior fiscal year ended December 31, 2020 and 2019 is as follows:

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	# of stock options	weighted average exercise price	# of stock options	Weighted Average exercise price
Options outstanding, start of the year	421,000	$0.83	1,169,500	$1.48
Granted	62,660	$0.56	46,000	$0.54
Expired	(125,000)	$(1.48)	(794,500)	$(1.77)
Forfeited	-	-	-	-
Options outstanding, end of the year	358,660	$0.56	421,000	$0.83
Options exercisable, end of the year	358,660	$0.56	421,000	$0.83

(Expressed in Canadian dollars unless otherwise stated)

	For the year ended December 31, 2019	
	# of stock options	weighted average exercise price
Options outstanding, start of the year	1,297,000	$1.58
Granted	100,000	$0.52
Expired	(47,500)	$(1.51)
Forfeited	(180,000)	$(1.70)
Options outstanding, end of the year	1,169,500	$1.48
Options exercisable, end of the year	1,119,000	$1.52

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

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

For the year ended	**2021**	**2020**	**2019**
Expected dividends paid per common share	Nil	Nil	Nil
Expected life in years	5.0	5.0	5.0
Weighted average expected volatility in the price of common shares	108%	138%	65%
Weighted average risk free interest rate	0.38%	1.12%	1.68%
Weighted average fair market value per share at grant date	$0.56	$0.54	$0.52
Intrinsic (or "in-the-money") value per share of options exercised	$ -	$ -	$ -

Deferred Stock Units ("DSUs"):

A continuity of the number of DSUs which are outstanding at the end of the current year and as at the prior fiscal year ended December 31, 2020 are as follows:

	For the years ended	
Opening balance	**2021**	**2020**
DSUs outstanding, start of the year	37,354	-
Granted	-	37,354
Closing balance	37,354	37,354

(Expressed in Canadian dollars unless otherwise stated)

The DSUs plan is a long-term incentive plan that permits the grant of DSUs to qualified directors. DSUs granted under the DSUs plan are to be settled at the retirement, resignation or death of the Board member holding the DSUs

Restricted Stock Units ("RSUs"):

The Company's first grant of RSUs began in 2020. RSUs entitle the holder to receive, at the option of the Company, either the underlying number of shares of the Company's Common Stock upon vesting of such units or a cash payment equal to the value of the underlying shares. The RSUs vest at a rate of one-third at the end of each of the first three years following the date of grant. In Q3-21, the Company settled the Q3-21 RSU vesting with shares and cash, and intends to continue to settle the RSUs in shares and cash. In the year ended December 31, 2020, the Company granted 1,200,000 RSUs to employees and officers.

A continuity of the number of RSUs, including fair value ("FV") which are outstanding at the end of the current period and as the end of the prior fiscal year ended December 31, 2020 is as follows:

			For the years ended,	
	December 31, 2021		December 31, 2020	
	# of RSUs	FV/Unit	# of RSUs	FV/Unit
RSUs outstanding, start of the year	1,200,000	$0.79	-	-
Granted	-	-	1,200,000	$0.45
Common shares issued	(208,370)	($0.55)	-	-
Payroll withholdings settled in cash	(139,964)	($0.55)	-	-
Forfeited	(155,000)	($0.79)	-	-
RSUs outstanding, end of the year	696,666	$0.61	1,200,000	$0.79

Employee Share Purchase Plan ("ESP Plan"):

The ESP Plan allows employees and other individuals determined by the Board to be eligible to contribute a minimum of 1% and a maximum of 10% of their earnings to the plan for the purchase of common shares in the capital of the Company, of which the Company will make an equal contribution. Common shares contributed by the Company may be issued from treasury or acquired through the facilities of the Toronto Stock Exchange (the "TSX"). During 2021 and 2020 the Company has elected to issue common shares from treasury.

A continuity of the number of commons shares under the ESP Plan which are outstanding at the end of the current year and as at the prior fiscal year ended December 31, 2020 is as follows:

(Expressed in Canadian dollars unless otherwise stated)

	December 31, 2021		For the years ended, December 31, 2020	
	# of shares	$ amount	# of shares	$ amount
Purchased by employees	127,790	$ 69,260	16,686	$ 7,592
Matched by the Company	102,641	55,733	14,213	6,467
Bonus match by the Company	74,119	48,030	-	-
Total Common Shares issued	304,550	173,023	30,899	14,059

If the employee does not withdraw common shares from the ESP Plan in the first year of their participation, the Company will match an additional 100% of the employee contributions, up to $15,000 per employee (the "Bonus Match"). The Company matched employee contributions for a total of $52,867, less any payroll withholdings in the fourth quarter of 2021. As at December 31, 2021 the Company has accrued $nil for the Bonus Match ($1,666 as at December 31, 2020).

19. Income Tax Expense

NXT periodically earns revenues while operating outside of Canada in foreign jurisdictions. Payments made to NXT for services rendered to clients and branch offices in certain countries may be subject to foreign income and withholding taxes. Such taxes incurred are only recoverable in certain limited circumstances, including potential utilization in Canada as a foreign tax credit, or against future taxable earnings from the foreign jurisdictions.

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

	For the years ended December 31, 2021	2020	2019
		(Adjusted – Note 2)	(Adjusted – Note 2)
Net loss before income taxes	$(3,123,799)	$(6,028,228)	$3,794,709
Canadian statutory income tax rate	23.0%	24.0 %	26.5 %
Income tax (recovery) at statutory income tax rate	(718,474)	(1,446,775)	1,005,598
Effect of non- deductible expenses and other items:			
Stock-based compensation and other expenses	67,948	44,225	11,609
Change in statutory tax rates	(92,850)	(131,242)	918,821
Foreign exchange adjustments	662	29,910	82,433
Other (Expired losses)	1,206,056	258,091	43,592
Change in valuation allowance	463,342	(1,245,791)	2,062,053
Income tax expense (recovery)	(463,342)	1,245,791	(2,062,053)

Effective July 1, 2020, the Province of Alberta decreased its corporate tax rate from 10% to 8%.

A valuation allowance has been provided for the Company's deferred income tax assets due to uncertainty regarding the amount and timing of their potential future utilization, as follows:

(Expressed in Canadian dollars unless otherwise stated)

	For the years ended December 31, 2021	2020	2019
Net operating losses carried forward:			
Canada (expiration dates 2027 to 2040)	$ 8,051,504	$ 7,809,363	$ 6,840,817
USA (expiration dates 2022 to 2026)	248,289	1,223,212	1,494,711
Timing differences on property & equipment, Right of Use of Assets, Lease obligations and financing costs	1,674,085	1,945,086	1,805,012
SRED Expenditures	575,747	369,522	348,341
Foreign Tax Credit	285,772	285,772	285,772
	10,835,397	11,632,955	10,774,653
Intellectual property	(3,411,411)	(3,745,627)	(4,133,115)
Less valuation allowance	7,423,986	7,887,328	6,641,538
	(7,423,986)	(7,887,328)	(6,641,538)

20. Financial instruments

a) Non-derivative financial instruments:

The Company's non-derivative financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, deposits, accounts payables and accrued liabilities, long-term debt and lease obligations. The carrying value of these financial instruments, excluding leases, approximates their fair values due to their short terms to maturity.

Credit Risk

Credit risk arises from the potential that the Company may incur a loss if counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. The carrying value of cash and cash equivalents, short-term investments, and accounts receivable reflects management's assessment of credit risk. At December 31, 2021, cash and cash equivalents and short-term investments included balances in bank accounts, term deposits and guaranteed investment certificates, placed with financial institutions with investment grade credit ratings. The majority of the Company's accounts receivable relate to sales to one customer in the African region and is exposed to foreign country credit risks. The Company manages this credit risk by requiring advance payments before entering into certain contract milestones and when possible accounts receivable insurance.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk in relation to its holding of significant US$ balances in cash and cash equivalents, short-term investments, accounts receivable, deposits, accounts payables, accrued liabilities, and lease obligations, and entering into United States dollar revenue contracts. The Company does not currently enter into hedging contracts, but to mitigate exposure to fluctuations in foreign exchange the Company uses strategies to reduce the volatility of United States Dollar assets including converting excess United States dollars to Canadian dollars. As at December 31, 2021, the

Company held net U.S. dollar assets totaling US$1,177,291. Accordingly, a hypothetical 10% change in the value of one United States dollar expressed in Canadian dollars as at December 31, 2021 would have had an approximately $150,039 effect on the unrealized foreign exchange gain or loss for the period.

b) Derivative financial instruments

As at December 31, 2021 and 2020, the Company held no derivative financial instruments.

21. Change in non-cash operating working capital

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

	For the years ended December 31,		
	2021	**2020**	**2019**
Accounts receivable	$ 123,587	$ 406,114	$ (1,339,409)
Note receivable	-	324,700	(332,175)
Prepaid expenses and deposits	3,262	19,600	(31,972)
Accounts payable and accrued liabilities	14,375	(120,767)	104,745
Contractual obligations	(127,507)	(3,879)	134,116
	13,717	625,768	(1,464,695)

22. Geographic information

The Company generates revenue from its SFD® survey system that enables the clients to focus their exploration decisions concerning land commitments, data acquisition expenditures and prospect prioritization on areas with the greatest potential. NXT conducts all of its survey operations from its head office in Canada, and occasionally maintains administrative offices in foreign locations if and when needed. Revenue fluctuations are a normal part of SFD® survey system sales and can vary significantly year-over-year.

Revenues for the years ended December 31, 2021 and 2019 were generated solely from a single client and the Hydrocarbon Right. There were no revenues from the Geothermal Right. Revenues for the year ended December 31, 2020 were the result of the forfeiture of a non-refundable deposit.

	For the years ended December 31,		
	2021	**2020**	**2019**
International	$ 3,134,250	$ -	$ 11,976,149
Other	-	136,566	-
	3,134,250	136,566	11,976,149

(Expressed in Canadian dollars unless otherwise stated)

23. SFD® related costs

SFD® related costs include the following:

	For the years ended December 31,		
	2021	**2020**	**2019**
Aircraft Operations		(Adjusted – Note 2)	(Adjusted – Note 2)
Charter Hire Reimbursements	$ (389,513)	$ (662,383)	$ (613,038)
Lease payments	412,742	453,101	442,816
Operating Expenses	1,085,640	1,320,352	1,459,536
	1,108,869	1,111,070	1,289,314
Survey Projects	115,299	-	1,363,741
	1,224,168	1,111,070	2,653,055

24. Government Grants

During the years ended December 31, 2021 and 2020, the Company received government grants through the Canada Emergency Wage Subsidy ("CEWS"), the Canada Emergency Rent Subsidy ("CERS") and the National Research Council of Canada Industrial Research Assistance Program ("NRC IRAP"). The CEWS, CERS and the NRC IRAP were recognized as a reduction to general and administrative expenses.

	For the years ended December 31,		
	2021	**2020**	**2019**
CEWS	$ 226,607	$ 292,161	$ -
CERS	188,983	58,526	-
NRC IRAP	50,000	-	-
Government grants recognized	465,590	350,687	-

25. Other related party transactions

One of the members of NXT's Board of Directors is a partner in a law firm which provides legal advice to NXT. Accounts payable and accrued liabilities includes a total of $16,000 ($1,570 as at December 31, 2020) payable to this law firm.

Accounts payable and accrued liabilities includes $11,467 ($NIL as at December 31, 2020) related to reimbursement of expenses owing to an executive officer.

A company owned by a family member of an executive officer was contracted to provide presentation design services to the Company.

The Geothermal Right was acquired from the Company's CEO on April 18, 2021. As discussed in Note 9, the Company acquired the Geothermal Right from its Chairman, President and Chief Executive Officer, Mr. Liszicasz.

	For the years ended December 31,		
	2021	**2020**	**2019**
Legal Fees	$ 85,815	$ 224,479	$276,261
Design Services	4,013	-	-