



NXT ENERGY SOLUTIONS INC.

Unaudited Condensed Consolidated Interim Financial Statements

**For the three and six months ended
June 30, 2025**

NXT ENERGY SOLUTIONS INC.

Condensed Consolidated Interim Balance Sheets

(Unaudited-expressed in Canadian dollars)

| | June 30, 2025 | December 31, 2024 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,947,533 | \$ 730,395 |
| Short-term investments | 204,137 | - |
| Accounts receivable (Note 3) | 4,936,476 | 105,858 |
| Contract assets (Note 3) | 696,738 | - |
| Prepaid expenses | 197,038 | 274,799 |
| | <u>7,981,922</u> | <u>1,111,052</u> |
| Long-term assets | | |
| Deposits | 247,446 | 261,485 |
| Property and equipment | 379,517 | 375,777 |
| Right of Use Assets (Note 4) | 2,371,961 | 2,506,506 |
| Intellectual property (Note 5) | 8,922,224 | 9,771,481 |
| | <u>\$ 19,903,070</u> | <u>\$ 14,026,301</u> |
| Liabilities and Shareholders' Equity Deficit | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 6) | \$ 1,344,532 | \$ 1,233,974 |
| Deferred revenue | 68,046 | 840,768 |
| Current portion of convertible debentures (Note 7) | 1,863,713 | 4,915,248 |
| Current portion of long-term debt | 111,111 | 111,111 |
| Current portion of lease obligations (Note 8) | 704,080 | 693,607 |
| | <u>4,091,482</u> | <u>7,794,708</u> |
| Long-term liabilities | | |
| Convertible debentures (Note 7) | - | 4,259,709 |
| Long-term debt | 546,296 | 601,852 |
| Long-term lease obligations (Note 8) | 1,204,744 | 1,607,935 |
| Asset retirement obligations | 25,989 | 24,761 |
| | <u>1,777,029</u> | <u>6,494,257</u> |
| | <u>5,868,511</u> | <u>14,288,965</u> |
| Shareholders' deficit | | |
| Common shares (Note 10): - authorized unlimited | | |
| Issued: 108,952,643 (2024 - 78,495,184) common shares | 111,722,667 | 98,262,510 |
| Contributed capital | 9,874,528 | 9,739,322 |
| Deficit | (107,562,636) | (108,264,496) |
| | <u>14,034,559</u> | <u>(262,664)</u> |
| | <u>\$ 19,903,070</u> | <u>\$ 14,026,301</u> |
| Going Concern (Note 1) | | |
| Commitments (Note 9) | | |

Signed "Charles Selby"
Director

Signed "Bruce G. Wilcox"
Director

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

NXT ENERGY SOLUTIONS INC.

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

(Unaudited-expressed in Canadian dollars)

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|-----------------------|--------------------------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Revenue | | | | |
| SFD® related revenue (Note 15) | \$ 1,656,476 | \$ - | \$ 14,120,547 | \$ 602,072 |
| Expenses | | | | |
| SFD® related costs, net | 1,267,796 | 253,580 | 3,599,626 | 984,100 |
| General and administrative expenses (Notes 12, 16) | 1,208,439 | 962,043 | 2,316,806 | 1,983,349 |
| Amortization | 479,248 | 482,134 | 956,145 | 922,698 |
| | <u>2,955,483</u> | <u>1,697,757</u> | <u>6,872,577</u> | <u>3,890,147</u> |
| Other expenses (income) | | | | |
| Interest expense, net | 194,697 | 189,189 | 445,329 | 302,768 |
| Foreign exchange loss (gain) | (100,086) | 64,998 | (165,167) | 110,004 |
| Loss on remeasurement of convertible debentures (Note 7) | 5,579,602 | 955,468 | 6,249,145 | 955,468 |
| Patent costs and loss on disposal of assets & lease modification | 9,438 | 105,801 | 16,803 | 143,498 |
| | <u>5,683,651</u> | <u>1,315,456</u> | <u>6,546,110</u> | <u>1,511,738</u> |
| (Loss) income before income taxes | <u>(6,982,658)</u> | <u>(3,013,213)</u> | <u>701,860</u> | <u>(4,799,813)</u> |
| Income tax expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net (loss) income and comprehensive (loss) income | <u>\$ (6,982,658)</u> | <u>\$ (3,013,213)</u> | <u>\$ 701,860</u> | <u>\$ (4,799,813)</u> |
| Net (loss) income per share (Note 11) | | | | |
| Basic | \$ (0.08) | \$ (0.04) | \$ 0.01 | \$ (0.06) |
| Diluted | \$ (0.08) | \$ (0.04) | \$ 0.01 | \$ (0.06) |

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

NXT ENERGY SOLUTIONS INC.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited-expressed in Canadian dollars)

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|---------------------|--------------------------------------|---------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Cash from (used in): | | | | |
| Operating activities | | | | |
| Net (loss) income | \$ (6,982,658) | \$ (3,013,213) | \$ 701,860 | \$ (4,799,813) |
| Items not affecting cash: | | | | |
| Stock based compensation expense (Note 12) | 338,162 | 91,020 | 537,077 | 137,216 |
| Amortization | 479,248 | 482,134 | 956,145 | 922,698 |
| Accretion expense | 615 | 614 | 1,228 | 1,229 |
| Non-cash lease amortization and accretion (Note 8) | 58,234 | 67,417 | 116,550 | 239,636 |
| Unrealized foreign exchange loss (gain) | (217,139) | 144,812 | (262,066) | 158,275 |
| Loss on disposal of assets and lease modification | 6,734 | 103,769 | 7,138 | 135,455 |
| Remeasurement of convertible debentures (Note 7) | 5,579,602 | 955,468 | 6,249,145 | 955,468 |
| Change in deposits | 1,441 | 1,440 | 2,881 | 2,881 |
| Change in non-cash working capital balances (Note 14) | 1,132,209 | 569,578 | (6,378,371) | 1,233,610 |
| Lease Payments | (60,168) | (69,170) | (120,336) | (246,552) |
| | <u>7,318,938</u> | <u>2,347,082</u> | <u>1,109,391</u> | <u>3,539,916</u> |
| Net cash from (used in) operating activities | <u>336,280</u> | <u>(666,131)</u> | <u>1,811,251</u> | <u>(1,259,897)</u> |
| Financing activities | | | | |
| Proceeds from the employee share purchase plan (Note 12) | 10,557 | 9,461 | 26,333 | 16,942 |
| Proceeds from stock options | 59,417 | - | 59,417 | - |
| Repayment of long-term debt | (27,778) | (27,778) | (55,556) | (55,556) |
| Proceeds from Convertible Debentures (Note 7) | - | 2,709,998 | - | 3,472,078 |
| Repayment of lease obligation (Note 8) | (139,318) | (117,099) | (274,539) | (117,099) |
| Net cash from (used in) financing activities | <u>(97,122)</u> | <u>2,574,582</u> | <u>(244,345)</u> | <u>3,316,365</u> |
| Investing activity | | | | |
| Purchase of property, plant and equipment, net | (10,110) | (2,927) | (41,303) | (27,029) |
| Purchase of short-term investments | - | (68,417) | (213,940) | (68,417) |
| Net cash used in investing activity | <u>(10,110)</u> | <u>(71,344)</u> | <u>(255,243)</u> | <u>(95,446)</u> |
| Effect of foreign exchange rate changes on cash and cash equivalents | <u>(98,872)</u> | <u>(4,287)</u> | <u>(94,525)</u> | <u>2,707</u> |
| Net increase in cash and cash equivalents | 130,176 | 1,832,820 | 1,217,138 | 1,963,729 |
| Cash and cash equivalents, beginning of the period | <u>1,817,357</u> | <u>532,622</u> | <u>730,395</u> | <u>401,713</u> |
| Cash and cash equivalents, end of the period | <u>\$ 1,947,533</u> | <u>\$ 2,365,442</u> | <u>\$ 1,947,533</u> | <u>\$ 2,365,442</u> |
| Supplemental information | | | | |
| Cash interest paid | \$ 209,278 | \$ 116,199 | \$ 422,427 | \$ 202,832 |
| Non-cash financing activities, conversion of convertible debt | <u>\$ 13,161,546</u> | <u>\$ -</u> | <u>\$ 13,161,546</u> | <u>\$ -</u> |

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

NXT ENERGY SOLUTIONS INC.

Condensed Consolidated Interim Statements of Shareholders' Deficit

(Unaudited-expressed in Canadian dollars)

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|----------------------|--------------------------------------|----------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Common Shares | | | | |
| Balance at beginning of the period | \$ 98,441,552 | \$ 98,194,233 | \$ 98,262,510 | \$ 98,179,271 |
| Issuance of common stock, net of share issuance costs for: | | | | |
| Employee Share Purchase Plan (Note 12) | 21,113 | 18,921 | 52,665 | 33,883 |
| Restricted Stock Unit Plan (Note 12) | - | - | 39,035 | - |
| Exercise of stock options | 59,417 | - | 59,417 | - |
| Conversion of convertible debentures (Note 10) | 13,161,546 | - | 13,161,546 | - |
| Transfers from contributed capital: | | | | |
| Exercise of stock options | (69,416) | - | 39,039 | - |
| Equity based transaction with non-employee (Note 10) | 108,455 | - | 108,455 | - |
| Balance at end of the period | <u>111,722,667</u> | <u>98,213,154</u> | <u>111,722,667</u> | <u>98,213,154</u> |
| Contributed Capital | | | | |
| Balance at beginning of the period | 9,771,592 | 9,585,205 | 9,739,322 | 9,552,839 |
| Transfer of equity to common shares (Note 10) | (39,039) | - | (147,494) | - |
| Recognition of stock based compensation expense (Note 12) | 141,975 | 56,435 | 282,700 | 88,801 |
| Balance at end of the period | <u>9,874,528</u> | <u>9,641,640</u> | <u>9,874,528</u> | <u>9,641,640</u> |
| Deficit | | | | |
| Balance at beginning of the period | (100,579,978) | (100,973,301) | (108,264,496) | (99,186,701) |
| Net (loss) income | (6,982,658) | (3,013,213) | 701,860 | (4,799,813) |
| Balance at end of the period | <u>(107,562,636)</u> | <u>(103,986,514)</u> | <u>(107,562,636)</u> | <u>(103,986,514)</u> |
| Total Shareholders' Deficit at end of the period | <u>\$ 14,034,559</u> | <u>\$ 3,868,280</u> | <u>\$ 14,034,559</u> | <u>\$ 3,868,280</u> |

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

NXT ENERGY SOLUTIONS INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As at and for the period ended June 30, 2025

(Expressed in Canadian dollars unless otherwise stated)

1. The Company and going concern

NXT Energy Solutions Inc. (the "Company" or "NXT") is a publicly traded company based in Calgary, Alberta Canada and listed on the Toronto Stock Exchange ("TSX").

NXT's proprietary Stress Field Detection ("SFD®") technology is an airborne survey system that utilizes the principles of quantum mechanics to infer stress anomalies of exploration interest. This method can be used both onshore and offshore to remotely identify areas conducive to fluid entrapment to recommend areas with commercial hydrocarbon and/or geothermal potential.

These unaudited condensed consolidated interim financial statements for the period ended June 30, 2025 (the "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 continues to be material uncertainties that cast 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.

During 2024 the Company completed an SFD® survey and had received deposits on three other SFD® surveys planned to be executed in 2025 (the "2025 SFD® Surveys"). As of the date of these financial statements, the Company has finished the acquisition phase of two of the 2025 SFD® Surveys and received milestone payments which have generated cash from operations for the Company. In addition, during 2023 and 2024 the Company completed convertible debenture financings which resulted in raising additional net proceeds of approximately \$8,192,559.

The Company continues to develop its pipeline of opportunities to secure additional revenue contracts. The Company's longer-term success remains dependent upon its ability to convert these revenue opportunities into successful contracts, to continue to attract new client projects, expand its 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 certainty.

Further financing options that may or may not be available to the Company include the issuance of new equity, debentures or bank credit facilities. The need for any of these options will be dependent on the timing of securing additional SFD® related revenues and obtaining financing on terms that are acceptable to both the Company and the financier.

NXT ENERGY SOLUTIONS INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As at and for the period ended June 30, 2025

(Expressed in Canadian dollars unless otherwise stated)

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.

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.

Certain estimates and judgments have a material impact where the assumptions underlying these accounting estimates relate to matters that are highly uncertain at the time the estimate or judgment is made or are subjective. In 2025 and 2024, the estimates and judgments included the assessment of impairment indicators of intellectual property and recognition of SFD® related revenue.

Other accounting estimates and judgments that may have a material impact on the financial statements include: the forward-looking assumptions related to the going concern assumption, the estimated useful lives of intellectual property and property, plant and equipment, lease interest rates and terms, the fair value of convertible debentures, and the assumptions used to measure stock-based compensation expense.

2. Significant Accounting Policies

Basis of Presentation

These Consolidated Financial Statements for the period ending June 30, 2025, have been prepared by management in accordance with US GAAP and by applying the same accounting policies and methods as used in preparing the consolidated financial statements for the fiscal year ended December 31, 2024. There were no new policies adopted on January 1, 2025.

NXT ENERGY SOLUTIONS INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As at and for the period ended June 30, 2025

(Expressed in Canadian dollars unless otherwise stated)

3. Accounts receivable and Contract Assets

| | June 30, 2025 | December 31, 2024 |
|---------------------------------------|------------------|----------------------|
| Total receivables and contract assets | \$ 5,541,937 | \$ 22,210 |
| Contract assets | (696,738) | - |
| Trade receivables | 4,845,199 | 22,210 |
| Other receivables | 91,277 | 83,648 |
| Net Accounts receivable | 4,936,476 | 105,858 |
| Allowance for doubtful accounts | - | - |
| Accounts receivable | 4,936,476 | 105,858 |

Aging of accounts receivable as of June 30, 2025

| | |
|-------------|------------|
| Current | \$ 349,075 |
| 0-30 days | 3,140,333 |
| 31-60 days | - |
| 61-100 days | 1,355,791 |
| | 4,845,199 |

\$272,182 of outstanding accounts receivable were collected after June 30, 2025.

Contract assets are revenues not invoiced as of June 30, 2025.

4. Right of use assets

| | Cost Base | June 30, 2025 Accumulated Amortization | Right of Use |
|-----------------|--------------|--|-----------------|
| Aircraft | \$3,468,239 | \$2,015,467 | \$1,452,772 |
| Office Building | 2,324,694 | 1,409,763 | 914,931 |
| Printer | 9,716 | 5,458 | 4,258 |
| | 5,802,649 | 3,430,688 | 2,371,961 |

| | Cost Base | December 31, 2024 Accumulated Amortization | Right of Use |
|-----------------|--------------|--|-----------------|
| Aircraft | \$3,468,239 | \$1,939,006 | \$1,529,233 |
| Office Building | 2,324,694 | 1,352,941 | 971,753 |
| Printer | 9,716 | 4,196 | 5,520 |
| | 5,802,649 | 3,296,143 | 2,506,506 |

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(Expressed in Canadian dollars unless otherwise stated)

Aircraft

On March 22, 2024, the Company extended its Aircraft lease for three years to March 28, 2027. The Company will own the aircraft at the end of the lease term. Terms of the lease extension include an interest rate of 12%, and monthly payments of US\$40,189. The Company has an early purchase option to acquire the aircraft on any of the remaining following dates, September 28, 2025, March 28, 2026, or September 28, 2026. The purchase price would be the amortized value of the lease liability, plus a four-months of interest. The lease is being treated as a finance lease.

5. Intellectual property

| | Cost Base | Accumulated amortization | June 30, 2025 Net book Value |
|---------------------------------|---------------|-----------------------------|------------------------------------|
| SFD® Hydrocarbon Right acquired | \$ 25,271,000 | \$ 16,566,967 | \$ 8,704,033 |
| SFD® Geothermal Right acquired | 275,610 | 57,419 | 218,191 |
| | 25,546,610 | 16,624,386 | 8,922,224 |

| | Cost Base | Accumulated amortization | December 31, 2024 Net book Value |
|---------------------------------|---------------|-----------------------------|--|
| SFD® Hydrocarbon Right acquired | \$ 25,271,000 | \$ 15,724,601 | \$ 9,546,399 |
| SFD® Geothermal Right acquired | 275,610 | 50,528 | 225,082 |
| | 25,546,610 | 15,775,129 | 9,771,481 |

SFD® Hydrocarbon Right

During 2015, NXT acquired the rights to the SFD® technology for use in the exploration of hydrocarbons ("Hydrocarbon Right") from Mr. George Liszicasz, the former President and CEO of NXT ("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.

SFD® Geothermal Right

The Company acquired the SFD® technology rights for geothermal resources ("Geothermal Right") from the former 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 (CDN\$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. CDN\$15,000 signature milestone payment paid in August 2021;
4. US\$200,000 milestone payment which will become due if the Company's cash balance exceeds CDN\$5,000,000 due to receipt of specifically defined funds from operations; and

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5. US\$250,000 milestone payment would have become due if the Company executed, completed, and received full payment for an SFD® contract valued at US\$10,000,000 or greater, provided such contract was entered into and completed and payment of at least US\$5,000,000 was received by April 18, 2023. This milestone expired as of April 18, 2023.

As of June 30, 2025, the Company has recognized \$275,610 for the acquisition of the Geothermal Right which is the combination of the US\$40,000 (CDN\$50,310) and CDN\$15,000 signature payments, the value of the 300,000 common shares of \$207,300 and other costs of \$3,000. The cost of the remaining milestone will be recognized when it is deemed probable that the milestone 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 if the milestone has been achieved. As of June 30, 2025, the remaining milestone is deemed not probable to be achieved.

Reconciliation of Intellectual Property

| | SFD® Hydrocarbon Right | SFD® Geothermal Right | Total |
|-----------------------|------------------------|-----------------------|-------------|
| Net book value at | | | |
| December 31, 2023 | 11,231,132 | 238,863 | 11,469,995 |
| Amortization for 2024 | (1,684,733) | (13,781) | (1,698,514) |
| Net book value at | | | |
| December 31, 2024 | 9,546,399 | 225,082 | 9,771,481 |
| Amortization for 2025 | (842,366) | (6,891) | (849,257) |
| Net book value at | | | |
| June 30, 2025 | 8,704,033 | 218,191 | 8,922,224 |

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.

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.

6. Accounts payable and accrued liabilities

| | June 30, 2025 | December 31, 2024 |
|-----------------------------------|------------------|----------------------|
| Accrued liabilities related to: | | |
| Consultants and professional fees | \$ 221,413 | \$ 261,753 |
| Payroll related | 366,320 | 471,596 |
| Board of director's fees | 246,218 | 201,218 |
| Interest payable | 59,327 | 109,029 |
| | 893,278 | 1,043,596 |
| Trade payables and other | 451,254 | 190,378 |
| | 1,344,532 | 1,233,974 |

NXT ENERGY SOLUTIONS INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As at and for the period ended June 30, 2025

(Expressed in Canadian dollars unless otherwise stated)

7. Convertible Debentures

Between November 8, 2023, and January 11, 2024, the Company issued a total of US\$1,872,000 (approximately CAD\$2,543,636) of a multi-tranche unsecured convertible debenture (the "November Debentures"). The November Debentures bear interest at 10.0% per annum, paid quarterly in arrears, and are due and payable two years after issuance. On June 26, 2025, US\$1,347,000 of the November Debentures were converted into common shares of NXT (Note 10). The remaining US\$497,000 (approximately CAD\$676,375) of the November Debentures are convertible into common shares at a fixed conversion price of US\$0.1808 allowing the subscribers to obtain an aggregate of up to 2,748,893 common shares. Directors of NXT were purchased November Debentures valued, in the aggregate principal amount, at US\$147,000 (approximately CDN\$196,686).

The November Debentures are unsecured.

| Repayment of principal and interest for convertible debentures: | US\$ | CDN\$¹ |
|--|-------------|--------------------------|
| 2025 | 210,329 | 286,240 |
| 2026 | 355,675 | 484,044 |
| Total principal and interest payments | 566,004 | 770,284 |
| Less interest | (69,004) | (93,909) |
| Principal remaining | 497,000 | 676,375 |
| Accumulated change in fair value of convertible debentures | 872,456 | 1,187,338 |
| Net principal remaining | 1,369,456 | 1,863,713 |

1. Converted at 1.3609

| Movement in convertible debentures | For the three months ended June 30, 2025 | | For the six months ended June 30, 2025 | |
|--|---|--------------|---|--------------|
| | US\$ | CDN\$ | US\$ | CDN\$ |
| Opening balance in the period | \$ 6,843,447 | \$ 9,846,652 | \$ 6,378,141 | \$ 9,174,957 |
| Fair value remeasurement of convertible debentures held at the beginning of the period | 4,125,819 | 5,579,602 | 4,591,125 | 6,249,145 |
| Conversion to common shares | (9,599,810) | (13,161,546) | (9,599,810) | (13,161,546) |
| Foreign exchange | - | (400,995) | - | (398,843) |
| Closing balance, June 30 | 1,369,456 | 1,863,713 | 1,369,456 | 1,863,713 |

Loss on fair value remeasurement of convertible debentures

The November Debentures (as of June 30, 2025) and the debentures converted to common shares (as at June 26, 2025) have been revalued at their fair value, both using level 3 inputs which include the market price, volatility and conversion price of the Company's common stock as at June 26, and June 30, 2025.

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements

As at and for the period ended June 30, 2025

(Expressed in Canadian dollars unless otherwise stated)

Interest expense for convertible debentures:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|-------|--|------------|--------------------------------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| \$US | \$ 130,644 | \$ 97,746 | \$ 282,830 | \$ 176,930 |
| \$CDN | \$ 180,494 | \$ 131,803 | \$ 403,200 | \$ 238,441 |

8. Lease obligations

| | For the six months ended June 30, 2025 | For the year ended December 31, 2024 |
|--------------------------------------|---|---|
| Opening balance, January 1 | \$ 2,301,542 | \$ 595,517 |
| Additions | - | 2,252,803 |
| Operating lease payments | (120,336) | (364,712) |
| Finance lease principal payments | (274,539) | (359,706) |
| Lease accretion | 58,473 | 99,803 |
| Foreign exchange | (56,316) | 77,837 |
| Closing Balance | 1,908,824 | 2,301,542 |
| Current portion of lease obligations | 704,080 | 693,607 |
| Long-term lease obligations | 1,204,744 | 1,607,935 |

| Maturity of lease liabilities: | Finance Lease ¹ | Operating Leases | Total |
|--|-------------------------------|---------------------|-----------|
| 2025 | 328,163 | 120,338 | 448,501 |
| 2026 | 656,326 | 240,391 | 896,717 |
| 2027 | 110,325 | 237,252 | 347,577 |
| 2028 | - | 237,252 | 237,252 |
| 2029 | - | 237,252 | 237,252 |
| 2030 | - | 177,939 | 177,939 |
| Total lease payments | 1,094,814 | 1,250,424 | 2,345,238 |
| Less imputed interest | (107,059) | (329,355) | (436,414) |
| Total discounted lease payments | 987,755 | 921,069 | 1,908,824 |
| Current portion of lease obligations | 568,389 | 135,691 | 704,080 |
| Non-current portion of lease obligations | 419,366 | 785,378 | 1,204,744 |

1. Converted at 1.3609

As of June 30, 2025, the Company's aircraft lease was a financing lease, and the other leases were operating leases. Incremental borrowing rates from between 10.0% and 12.0 %. None of the leases have an option to extend past their current terms. The weighted average remaining lease terms at June 30, 2025, is 3.3 years. The Company's total operating lease expenditures for the period ended June 30, 2025, were \$120,336 (2024 - \$245,665). The Company's total financing lease expenditures for the period ended June 30, 2025, was \$345,984 (2024 - \$164,258, including interest expense of approximately \$71,445 (2024-\$47,159)).

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Non-cash lease amortization and accretion

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|------------|--------------------------------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| Amortization of lease incentives and other | \$ (1,889) | \$ (1,838) | \$ (3,779) | \$ (3,572) |
| ROU asset amortization | 31,405 | 45,398 | 61,864 | 205,434 |
| Lease liability accretion | 28,718 | 23,857 | 58,465 | 37,774 |
| | 58,234 | 67,417 | 116,550 | 239,636 |

9. Commitments

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

| For the period ending December 31, | Office Premises |
|------------------------------------|-----------------|
| 2025 | 81,701 |
| 2026 | 163,401 |
| 2027 | 163,401 |
| 2028 | 163,401 |
| 2029 | 163,401 |
| 2030 | 122,551 |
| Total | 857,856 |

10. Common shares

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

| | For the six months ended June 30, | | | |
|--|-----------------------------------|-------------|-------------|--------------|
| | 2025 | | 2024 | |
| | # of shares | \$ amount | # of shares | \$ amount |
| As at the beginning of the year | 78,495,184 | 98,262,510 | 78,025,237 | \$98,179,271 |
| Employee Share Purchase Plan (Note 12) | 201,052 | 52,665 | 234,089 | 33,883 |
| Restricted Stock Units (Note 12) | 194,206 | 39,035 | - | - |
| Exercise of Stock Options | 282,466 | 98,456 | - | - |
| Conversion of Convertible Debentures | 29,145,296 | 13,161,546 | - | - |
| Equity based transaction with non-employee | 634,439 | 108,455 | - | - |
| As at the end of the period | 108,952,643 | 111,722,667 | 78,259,326 | 98,213,154 |

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Debenture Conversion

On May 30, 2025, Ataraxia Capital converted \$3,175,480 (US\$2,300,000) of convertible debentures into 13,540,208 commons shares at conversion prices of US\$0.143 and US\$0.24 per common share.

On June 26, 2025, MCAPM, LP and Michael P. Mork ("Mork Capital") converted convertible debentures with a face value US\$3,375,000 into 15,605,088 common shares at conversion prices of US\$0.1808 and US\$0.25 per common share. The increase to common shares related to the Mork Capital convertible debenture was recognized at their fair value using Level 3 inputs, resulting in a fair value of C\$9,986,066 (US\$7,299,810) on the date of conversion.

Equity based transaction with non-employee:

On October 1, 2023, the Company entered into a service agreement with a marketing consultant (the "Consultant") to provide sales and marketing services to introduce potential customers to the Company's SFD® technology, attend trade shows, and update the Company's marketing systems. The Consultant agreed to be compensated in Common Shares only for approximately US\$16,000 per month, based on the five-day volume average price at the end of each month until February 29, 2024. 634,439 common shares issued to the Consultant on January 29, 2025.

11. Net (loss) income per share

Net (loss) income per share – Basic

| | For the three months ended | | For the six months ended | |
|--|-----------------------------------|-----------------|---------------------------------|-----------------|
| | | June 30, | | June 30, |
| | 2025 | 2024 | 2025 | 2024 |
| Net (loss) income for the period | \$(6,982,658) | \$(3,013,213) | \$701,860 | \$(4,799,813) |
| Basic weighted average number of shares outstanding for the period | 84,870,859 | 78,201,292 | 81,988,924 | 78,143,297 |
| Net (loss) income per share – Basic | \$(0.08) | \$(0.04) | \$0.01 | \$(0.06) |

In periods in which a loss results, all outstanding stock options, RSUs, deferred share units ("DSUs") and potential shares from convertible debentures may be excluded from the diluted loss per share calculations, if their effect is anti-dilutive. In addition, for the six-month period ended June 30, 2025 the effect of the accumulated change on the fair value of convertible debentures is also anti-dilutive.

12. 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 June 30, 2025, include stock options, DSUs, RSUs, and the employee share purchase plan ("ESP Plan"). The following tables provide information about stock option, RSUs, DSUs, and ESP Plan activity.

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| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|-----------|--------------------------------------|-----------|
| | 2025 | 2024 | 2025 | 2024 |
| Stock Option Expense | \$ 103,225 | \$ 56,435 | \$ 205,200 | \$ 56,435 |
| Deferred Share Units | 38,750 | - | 77,500 | - |
| Compensation Expense (Note 10) | - | - | - | 32,366 |
| Stock-based compensation expense in Contributed Capital | 141,975 | 56,435 | 282,700 | 88,801 |
| Employee Share Purchase Plan | 10,556 | 9,460 | 26,332 | 16,941 |
| Restricted Stock Units | 185,631 | 25,125 | 228,045 | 31,474 |
| Total stock-based compensation expense | 338,162 | 91,020 | 537,077 | 137,216 |

Stock Options:

The following is a summary of stock options which are outstanding as at June 30, 2025.

| Exercise price per share | # of options outstanding | # of options exercisable | Average remaining life (in years) |
|--------------------------|--------------------------|--------------------------|-----------------------------------|
| \$0.200 | 166,200 | 166,200 | 2.9 |
| \$0.203 | 1,400,000 | - | 4.7 |
| \$0.216 | 1,648,334 | 468,333 | 2.4 |
| \$0.252 | 78,850 | 78,850 | 3.2 |
| \$0.259 | 100,000 | 33,333 | 3.2 |
| \$0.260 | 52,650 | 52,650 | 2.5 |
| \$0.264 | 177,200 | 177,200 | 2.5 |
| \$0.440 | 21,360 | 21,360 | 0.5 |
| \$0.510 | 16,000 | 16,000 | 0.3 |
| \$0.620 | 18,050 | 18,050 | 0.5 |
| \$0.680 | 32,250 | 32,250 | 0.5 |
| \$0.720 | 24,460 | 24,460 | 0.5 |
| | 3,735,354 | 1,088,686 | 3.3 |

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The continuity of the number of stock options which are outstanding at the end of the current period and as at the prior fiscal year ended December 31, 2024, are as follows:

| | For the six months ended June 30, 2025 | | For the year ended December 31, 2024 | |
|--|---|--|---|--|
| | # of stock Options | weighted average exercise price | # of stock Options | Weighted Average exercise price |
| Options outstanding, start of the year | 2,647,820 | \$0.24 | 2,927,820 | \$0.32 |
| Granted | 1,400,000 | \$0.20 | - | \$ - |
| Exercised | (282,466) | \$(0.21) | - | \$ - |
| Forfeited | - | \$ - | (180,000) | \$(0.22) |
| Expired | (30,000) | \$(0.55) | (100,000) | \$(0.52) |
| Options outstanding, end of the period | 3,735,354 | \$0.23 | 2,647,820 | \$0.24 |
| Options exercisable, end of the period | 1,088,686 | \$0.27 | 777,820 | \$0.30 |

Stock options granted generally expire, if unexercised, five years from the date granted and entitlement to exercise them generally vests at a rate as determined by the Board of Directors.

On February 24, 2025, the Company granted 1,400,000 incentive stock options at a strike price of \$0.203 to directors of the Company. These stock options will vest upon the achieving of a trailing twelve-month free cash flow per share of \$0.10. The Company is recognizing Stock based compensation expense ("SBCE") for these stock options

On January 6, 2023, the Company announced the grant of 2,050,000 performance stock options at a price of \$0.216 to employees, officers and directors. These stock options will vest upon receipt of cash for SFD® services performed: 1/3 upon collection of US\$6.5 million, 1/3 upon the collection of the next US\$7.0 million and the final 1/3 upon collection of an additional US\$7.5 million. Approximately 623,266 of these options have vested as the first vesting milestone has been achieved.

Stock-based compensation expense 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 six months ended June 30, 2025 | For the year ended December 31, 2024 |
|--|---|---|
| Expected dividends paid per common share | Nil | - |
| Expected life in years | 5.0 | - |
| Weighted average expected volatility in the price of common shares | 140% | - |
| Weighted average risk-free interest rate | 2.91% | - |
| Weighted average fair market value per share at grant date | \$0.181 | - |
| Forfeiture rate | 14.3% | - |

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Deferred Stock Units:

A continuity of the number of DSUs which are outstanding at the end of the current period and as at the prior fiscal year ended December 31, 2024, are as follows:

| | For the six months ended June 30, 2025 | For the year ended December 31, 2024 |
|------------------------|---|---|
| Opening balance | | |
| Opening balance | 120,226 | 37,354 |
| Granted | 210,128 | 82,872 |
| Closing balance | 330,354 | 120,226 |

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 entitle the holder to receive, at the option of the Company, either the underlying number of shares of the Company's common shares 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. Historically, the Company settled the RSUs that vested with shares and cash.

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, 2024, are as follows:

| | For the six months ended June 30, 2025 | | For the year ended December 31, 2024 | |
|---|---|----------|---|----------|
| | # of RSUs | FV/Unit | # of RSUs | FV/Unit |
| RSUs outstanding, beginning of the year | 915,000 | \$0.16 | - | - |
| Granted | 1,875,000 | \$0.20 | 1,035,000 | \$0.14 |
| Forfeited | - | - | (120,000) | (\$0.14) |
| Common shares issued | (194,206) | (\$0.20) | - | - |
| Payroll withholdings settled in cash | (110,796) | (\$0.20) | - | - |
| RSUs outstanding, end of the period | 2,484,998 | \$0.64 | 915,000 | \$0.16 |

At June 30, 2025, \$206,535 is accrued in accounts payable and other accrued liabilities for RSUs.

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

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contributed by the Company may be issued from treasury or acquired through the facilities of the TSX. Historically, 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 period and as at the prior fiscal year ended December 31, 2024, are as follows:

| | For the six months ended June 30, 2025 | | For the year ended December 31, 2024 | |
|----------------------------|---|-----------|---|-----------|
| | # of shares | \$ amount | # of shares | \$ amount |
| Purchased by employees | 100,526 | \$ 26,333 | 234,974 | \$ 41,620 |
| Matched by the Company | 100,526 | 26,332 | 234,973 | 41,619 |
| Total Common Shares issued | 201,052 | 52,665 | 469,947 | 83,239 |

13. Financial instruments

Non-derivative financial instruments:

The Company's non-derivative financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, convertible debentures, and long-term debt. The carrying value of these financial instruments, excluding long-term debt, approximates their fair values due to their short terms to maturity. The Company has determined that long-term debt approximates its fair value as the interest rate approximates market rates.

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 and accounts receivable. The carrying value of cash and cash equivalents, short-term investments and accounts receivable reflects management's assessment of maximum exposure to credit risk. As at June 30, 2025, cash and cash equivalents included balances in bank accounts placed with financial institutions with investment grade credit ratings. The Company manages accounts receivable credit risk by requiring advance payments before commencing 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, accounts receivable, deposits, accounts payables, accrued liabilities, convertible debentures, and lease obligations, and pricing its SFD® survey contracts in US\$. 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 of June 30, 2025, the Company held net United States dollar assets totaling approximately US\$4,915,384. Accordingly, a hypothetical 10% change in the value of one United States dollar expressed in Canadian dollars as at June 30, 2025, would have had an approximately \$668,942 effect on the unrealized foreign exchange gain or loss for the period.

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14. Change in non-cash operating working capital

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|------------|--------------------------------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| Accounts receivable and contract assets | \$ 1,213,289 | \$ 754,923 | \$ (5,635,286) | \$ 1,759,023 |
| Prepaid expenses | 73,918 | (59,348) | 77,761 | (62,134) |
| Accounts payable and accrued liabilities | 110,524 | (125,997) | (52,003) | (463,279) |
| Deferred revenue | (265,522) | - | (768,843) | - |
| | 1,132,209 | 569,578 | (6,378,371) | 1,233,610 |

15. 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 its survey operations from its head office in Canada and occasionally maintains administrative offices in foreign locations when needed. Revenue fluctuations are a normal part of SFD® survey system sales and can vary significantly year-over-year.

Revenues for the six-month periods ended June 30, 2025, and 2024 were generated solely by the Hydrocarbon Right and four different customers. There were no revenues attributable to the Geothermal Right.

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---------------|--|------|--------------------------------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| International | \$ 1,656,476 | \$ - | \$ 14,120,547 | \$ 602,072 |
| Canada | - | - | - | - |
| | 1,656,476 | - | 14,120,547 | 602,072 |

16. 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 include a total of \$29,451 (\$55,455 as at December 31, 2024) payable to this law firm.

Another member of the Board is a board member of Pana Holdings Mauritius, the parent company of Ataraxia, which held convertible debentures until May 30, 2025 (Note 10). Accounts payable and accrued liabilities at June 30, 2025, include a total of \$nil, (\$40,011 or US\$27,814, as at December 31, 2024) to Ataraxia for accrued interest.

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A third member of the Board is an employee of MCAPM LP, which held convertible debentures until June 26, 2025 (Note 10). Accounts payable and accrued liabilities at June 30, 2025, include a total of \$48,285 (US\$35,479), (December 31, 2024 - \$57,063 or US\$39,669) to Mork Capital for accrued interest.

Certain members of the Board, elected to have most of their Board fees payable at December 31, 2023, converted into the November Debentures (Note 7), for a total of US\$147,000 (CDN\$196,686). Accounts payable and accrued liabilities at June 30, 2025, include a total of \$4,385 (US\$3,222), (December 31, 2024 - \$4,680 or US\$3,253) to these Board members for accrued interest.

Accounts payable and accrued liabilities include \$246,218 (\$201,218 as at December 31, 2024) for Board fees and \$Nil (\$35,250 as at December 31, 2024) for management compensation.

Related party expenses

| | For the three months ended June 30, | | For the six months ended June 30, | |
|-------------------------------|--|-----------|--------------------------------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| Legal Fees | \$ 48,691 | \$ 51,702 | \$ 62,900 | \$ 67,054 |
| Interest Expense ¹ | \$ 171,893 | \$ 52,404 | \$ 377,593 | \$ 103,639 |
| Board of director fees | \$ 68,750 | \$ 38,750 | \$ 122,500 | \$ 77,500 |

1. US\$121,918 for the three months ended June 30, 2025, and US\$265,475 for the six months ended June 30, 2025. US\$38,464 for the three months ended June 30, 2024, and US\$76,581 for the six months ended June 30, 2024. Includes interest expense for Ataraxia, board of directors and Mork Capital. Mork Capital included in 2025 only.