



NXT ENERGY SOLUTIONS INC.

Consolidated Financial Statements

**For the Years ended
December 31, 2024, 2023 and 2022**



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of NXT Energy Solutions Inc. (the Company) as at December 31, 2024 and 2023, and the related consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity deficit for each of the years in the two-year period ended December 31, 2024, and the related notes and schedules (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

The consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity of the Company for the year ended December 31, 2022, were audited by other auditors whose report dated March 31, 2023, expressed an unqualified opinion on those consolidated financial statements.

Material Uncertainty Related to 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 cash position is not expected to be sufficient to meet the Company's obligations and planned operations for a year beyond the date of auditor's report, unless additional financing is obtained or new revenue contracts are completed. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding 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 the Company's 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

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

Going Concern

Critical Audit Matter Description

As described in Note 1 to the consolidated financial statements, 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, unless additional financing is obtained or new revenue contracts are completed.

We identified the assessment of the ability of the Company to continue as a going concern as a critical audit matter due to the significant assumptions and judgements made by management in estimating future cash flows, which are subject to high degree of uncertainty.

This matter is also described in the "Material Uncertainty Related to Going Concern" section of our report.

Audit Response

We responded to this matter by performing procedures in relation to the assessment of the ability of the Company to continue as a going concern. Our audit work in relation to this included, but was not restricted to, the following:

- Obtaining an understanding from management on the Company's future plans for the operations, including financing arrangements.
- Evaluating the key assumptions used in management's model to estimate future cash flows by comparing assumptions used by management against historical performance, budgets, economic and industry indicators and publicly available information.
- Comparing the assumptions related to revenue projections to those used in assessments of impairment indicators for non-financial assets.
- Assessing the adequacy of the going concern disclosure included in Note 1 to the consolidated financial statements and considering whether these appropriately reflected the assessments that management performed.

MNP LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2023.

Calgary, Canada
March 27, 2025

NXT ENERGY SOLUTIONS INC.

Consolidated Balance Sheets (Expressed in Canadian dollars)

	December 31, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 730,395	\$ 401,713
Accounts receivable (Note 3)	105,858	1,828,523
Prepaid expenses	274,799	53,673
	<u>1,111,052</u>	<u>2,283,909</u>
Long term assets		
Deposits (Note 4)	261,485	249,917
Property and equipment (Note 5)	375,777	515,809
Right of Use Assets (Note 6)	2,506,506	665,130
Intellectual property (Note 7)	9,771,481	11,469,995
	<u>\$ 14,026,301</u>	<u>\$ 15,184,760</u>
Liabilities and Shareholders' Equity Deficit		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8, 22)	\$ 1,233,974	\$ 1,836,741
Deferred revenue (Note 9)	840,768	-
Convertible debentures (Note 10)	4,915,248	1,842,566
Current portion of long-term debt (Note 11)	111,111	111,111
Current portion of lease obligations (Note 12)	693,607	343,513
	<u>7,794,708</u>	<u>4,133,931</u>
Long-term liabilities		
Convertible debentures (Note 10)	4,259,709	1,513,423
Long-term debt (Note 11)	601,852	712,963
Long-term lease obligations (Note 12)	1,607,935	252,004
Asset retirement obligations (Note 13)	24,761	27,030
	<u>6,494,257</u>	<u>2,505,420</u>
	<u>14,288,965</u>	<u>6,639,351</u>
Shareholders' equity deficit		
Common shares (Note 15): - authorized unlimited		
Issued: 78,495,184 (2023 - 78,025,237) common shares	98,262,510	98,179,271
Contributed capital	9,739,322	9,552,839
Deficit	(108,264,496)	(99,186,701)
	<u>(262,664)</u>	<u>8,545,409</u>
	<u>\$ 14,026,301</u>	<u>\$ 15,184,760</u>

Going Concern (Note 1)
Commitments (Note 14)
Subsequent events (Note 17)

Signed "Charles Selby"
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 Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	For the Year ended December 31,		
	2024	2023	2022
Revenue			
SFD® related revenue (Note 21)	\$ 644,294	\$ 2,145,716	\$ -
Expenses			
SFD® related costs, net	2,021,768	2,249,126	1,178,183
General and administrative expenses (Note 17, 22)	4,045,778	3,420,143	3,736,431
Amortization	1,887,013	1,759,473	1,768,727
	<u>7,954,559</u>	<u>7,428,742</u>	<u>6,683,341</u>
Other expenses (income)			
Interest expense, net	750,611	160,262	36,220
Foreign exchange loss (gain)	574,106	(8,028)	(15,340)
Loss on remeasurement of convertible debentures (Note 10)	296,534	-	-
Loss on disposal of assets, lease modifications and other	146,279	15,852	28,855
	<u>1,767,530</u>	<u>168,086</u>	<u>49,735</u>
Loss before income taxes	(9,077,795)	(5,451,112)	(6,733,076)
Income tax expense (Note 18)	-	-	-
Net loss and comprehensive loss	<u>\$ (9,077,795)</u>	<u>\$ (5,451,112)</u>	<u>\$ (6,733,076)</u>
Loss per share (Note 16)			
Basic	\$ (0.12)	\$ (0.07)	\$ (0.10)
Diluted	\$ (0.12)	\$ (0.07)	\$ (0.10)

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,		
	2024	2023	2022
Cash from (used in):			
Operating activities			
Net loss	\$ (9,077,795)	\$ (5,451,112)	\$ (6,733,076)
Items not affecting cash:			
Stock based compensation expense (Note 17)	268,734	241,271	215,284
Amortization	1,887,013	1,759,473	1,768,727
Accretion expense (recovery) (Note 13)	(2,269)	2,456	2,237
Non-cash lease amortization and accretion (Note 12)	353,433	683,190	752,149
Unrealized foreign exchange (gain) loss	659,257	(25,451)	13,956
Loss on disposal of assets and lease modifications	135,455	-	11,921
Remeasurement of convertible debentures (Note 10)	296,534	-	-
Change in deposits	5,763	3,362	-
Change in non-cash working capital balances (Note 20)	1,868,996	(1,294,087)	1,755,107
Lease payments (Note 12)	(364,712)	(739,527)	(720,309)
Prepaid long-term insurance	-	(11,525)	-
	5,108,204	619,162	3,799,072
Net cash used in operating activities	(3,969,591)	(4,831,950)	(2,934,004)
Financing activities			
Proceeds from the Employee Share Purchase plan (Note 17)	41,620	36,246	49,738
Proceeds for Restricted Stock Units	-	4,370	-
Repayment of long-term debt (Note 11)	(111,111)	(111,111)	(64,815)
Net proceeds from Rights Offering (Note 15)	-	-	216,062
Net proceeds from Private Placement (Note 15)	-	1,622,057	216,182
Net proceeds from Convertible Debentures (Note 10)	4,735,004	3,457,555	-
Repayment of lease obligations (Note 12)	(359,706)	-	(27,950)
Net cash from financing activities	4,305,807	5,009,117	389,217
Investing activities			
Purchase of property and equipment, net	(27,029)	(32,322)	-
Proceeds from short-term investments	-	-	550,000
Net cash from (used in) investing activities	(27,029)	(32,322)	550,000
Effect of foreign exchange rate changes on cash and cash equivalents	19,495	(6,569)	369
Net increase (decrease) in cash and cash equivalents	328,682	138,276	(1,994,418)
Cash and cash equivalents, beginning of the year	401,713	263,437	2,257,855
Cash and cash equivalents, end of the year	\$ 730,395	\$ 401,713	\$ 263,437
Supplemental information			
Cash interest paid	\$ 548,756	\$ 120,952	\$ 35,779
Cash taxes paid	\$ -	\$ -	\$ -

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

NXT ENERGY SOLUTIONS INC.

Consolidated Statements of Shareholders' Equity Deficit

(Expressed in Canadian dollars)

	For the Year ended December 31,		
	2024	2023	2022
Common Shares			
Balance at beginning of the year	\$ 98,179,271	\$ 96,423,648	\$ 95,779,352
Issuance of common stock, net of share issuance costs for:			
Rights offering (Note 15)	-	-	216,062
Private placements (Note 15)	-	1,622,057	216,182
Employee Share Purchase Plan (Note 15)	83,239	66,755	89,127
Restricted Stock Unit Plan (Note 15)	-	66,811	122,925
Balance at end of the year	\$ 98,262,510	\$ 98,179,271	\$ 96,423,648
Contributed Capital			
Balance at beginning of the year	\$ 9,552,839	\$ 9,404,518	\$ 9,381,966
Recognition of stock based compensation expense (Note 17)	186,483	148,321	22,552
Balance at end of the year	\$ 9,739,322	\$ 9,552,839	\$ 9,404,518
Deficit			
Balance at beginning of the year	(\$99,186,701)	(\$93,735,589)	(\$87,002,513)
Net loss	(9,077,795)	(5,451,112)	(6,733,076)
Balance at end of the year	(\$108,264,496)	(\$99,186,701)	(\$93,735,589)
Total Shareholders' Equity Deficit at end of the year	\$ (262,664)	\$ 8,545,409	\$ 12,092,577

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

NXT ENERGY SOLUTIONS INC.

Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024, 2023 and 2022

(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. The method can be used both onshore and offshore to remotely identify areas conducive to fluid entrapment in order to recommend areas with commercial hydrocarbon and/or geothermal potential.

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 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 has received deposits payments 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 one of the 2025 SFD® Surveys and received milestone payments which has generated cash from operations for the Company. In addition, during 2023 and 2024 the Company completed private placements which resulted in raising an additional net proceeds of \$9,757,366 (Notes 10 and 15).

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 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.

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(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 2024, 2023 and 2022, the estimates and judgments included the assessment of impairment indicators of intellectual property and recognition of SFD® related revenue.

The Company reviews 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 of its intellectual property, including the 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 intellectual property.

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 year ended December 31, 2024 have been prepared by management in accordance with generally accepted accounting principles of US GAAP.

NXT ENERGY SOLUTIONS INC.

Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2024, 2023 and 2022

(Expressed in Canadian dollars unless otherwise stated)

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

As at December 31, 2024 and 2023, 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, 2024 the fair values of restricted stock units ("RSU") liability was based on share price that 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. There are no Level II fair value measures.

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.

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The determination of the fair value of the acquisition of the Intellectual property (Note 7) was determined using Level III inputs, as well as the November Debentures and 2024 Debentures (both defined in Note 10).

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:

Survey equipment	20% declining balance
Computers	30% 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

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these amounts, an impairment loss is recognized for the excess of the carrying value over the estimated fair value of the asset.

Convertible Debentures

Convertible debentures are recorded as a current liability if the Company has an obligation to deliver cash to the holder on demand on or before the maturity date and a long-term liability if non-demand and the maturity date is greater than one year. If the convertible debentures are converted to either voting preferred or common shares, the preferred or common shares will be classified as equity. Interest on the convertible debenture is accrued as earned. The November Debentures and the 2024 Debentures (defined below) are revaluated at their fair values. Since they are denominated in US\$ they do not meet the fix to fix criteria.

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. Stock-based awards with performance conditions are recognized as compensation costs only when the performance condition is probable of being met.

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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 is 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 (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 US GAAP, at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of an

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(Expressed in Canadian dollars unless otherwise stated)

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.

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 treated as a finance lease and is recorded in ROU assets. The ROU asset amortization included within amortization costs and lease payments are recorded as interest expense and as a reduction in the lease liability. The aircraft ROU is amortized at a 10% declining balance.

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

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. Accounts Receivable

	December 31, 2024	December 31, 2023
Trade receivables	\$ 22,210	\$ 1,738,694
Other receivables	83,648	89,829
	105,858	1,828,523
Allowance for doubtful accounts	-	-
Net accounts receivable	105,858	1,828,523

The entire trade receivables at December 31, 2024 and December 31, 2023 were with one, but not the same customer in each year. All trade receivables were current and were collected subsequent to December 31 each year.

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4. 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, 2024	December 31, 2023
Prepaid expenses	\$ 2,401	\$ 8,164
Building	43,309	43,309
Aircraft	215,775	198,444
	261,485	249,917

5. Property and equipment

	Cost Base	December 31, 2024 Accumulated Amortization	Net book value
Survey equipment	\$ 949,062	\$ 771,143	\$ 177,919
Computers and software	1,265,045	1,257,313	7,732
Furniture and other equipment	405,877	401,110	4,767
Leasehold improvements	523,507	338,148	185,359
	3,143,491	2,767,714	375,777

	Cost Base	December 31, 2023 Accumulated Amortization	Net book value
Survey equipment	\$ 924,959	\$ 743,239	\$ 181,720
Computers and software	1,265,045	1,254,000	11,045
Furniture and other equipment	528,419	520,525	7,894
Leasehold improvements	1,064,225	749,075	315,150
	3,782,648	3,266,839	515,809

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6. Right of use assets

	December 31, 2024		
	Cost Base	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

	December 31, 2023		
	Cost Base	Accumulated Amortization	Right of Use
Aircraft	\$1,847,617	\$1,728,958	\$ 118,659
Office Building	1,725,414	1,186,673	538,741
Printer	9,716	1,986	7,730
	3,582,747	2,917,617	665,130

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 following dates, March 28, 2025, 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. As a result of the lease extension the Right of Use Assets and lease obligations have been increased as follows:

Right of Use Assets	CDN\$1,620,622
Lease obligations	US\$1,182,393

The Company recognized a loss of \$31,686 on the Aircraft lease modification.

Building

On May 1, 2024, the Company surrendered approximately 3,207 square feet of its office building lease to the landlord and extended its lease for an additional five years until September 30, 2030. Terms of the lease extension include an implied interest rate of 10%, and monthly payments of \$19,771. The lease will continue to be treated as an operating lease. As a result of the lease extension the Right of Use Assets and lease obligations have been increased as follows:

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Right of Use Assets	\$ 599,281
Lease obligations	\$ 600,495

The Company has recognized a loss of \$1,214 on the building lease modification, and a loss on disposal of leasehold improvements of \$102,555.

7. Intellectual property

	December 31, 2024		
	Cost Base	Accumulated amortization	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

	December 31, 2023		
	Cost Base	Accumulated amortization	Net book Value
SFD® Hydrocarbon Right acquired	\$ 25,271,000	\$ 14,039,868	\$ 11,231,132
SFD® Geothermal Right acquired	275,610	36,747	238,863
	25,546,610	14,076,615	11,469,995

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 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 in the event that the Company's cash balance exceeds CDN\$5,000,000 due to receipt of specifically defined funds from operations; and
5. US\$250,000 milestone payment would have become due in the event that the Company executed, completed, and received full payment for an SFD® contract valued at US\$10,000,000 or

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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 December 31, 2024, 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 when the milestones have been achieved. As of December 31, 2024 the remaining milestone is still deemed not probable of being achieved.

Reconciliation of Intellectual Property

	SFD® Hydrocarbon Right	SFD® Geothermal Right	Total
Net book value at December 31, 2022	\$ 12,915,866	\$ 252,643	\$ 13,168,509
Amortization for 2023	(1,684,734)	(13,780)	(1,698,514)
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

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.

8. Accounts payable and accrued liabilities

	December 31, 2024	December 31, 2023
Accrued liabilities related to:		
Consultants and professional fees	\$ 261,753	\$ 225,224
Payroll related	471,596	525,472
Board of director's fees	201,218	228,199
Interest payable	109,029	38,222
	1,043,596	1,017,117
Trade payables and other	190,378	819,624
	1,233,974	1,836,741

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9. Deferred revenue

As of December 31, 2024, the company has received \$840,768 (US\$584,477) of deposits for signed SFD® contracts to be executed in 2025 (\$nil for 2023).

10. Convertible Debentures

2024 Debentures

On May 31, 2024 the Company issued convertible debentures (the "2024 Debentures") to MCAPM LP for the principal amount of US\$2,000,000, being approximately CDN\$2,773,660. The 2024 Debentures bear interest at 10.0% per annum, paid quarterly in arrears, and are due and payable on May 31, 2026. The 2024 Debentures are convertible into common shares at a conversion price of US\$0.25 per Common Share which provides MCAPM LP with the right to obtain up to 8,000,000 common shares of the Company. The 2024 Debentures are unsecured.

November Debentures

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. The November Debentures are convertible into common shares in the capital of NXT at a fixed conversion price of US\$0.1808 allowing the subscribers to obtain an aggregate of up to 10,353,982 common shares. Insiders which include MCAPM, LP and Michael P. Mork ("Mork Capital") and directors of NXT, were issued November Debentures valued, in the aggregate principal amount, at US\$1,522,000 (approximately CDN\$2,076,776).

During 2023, the Company issued the first two tranches of the November Debentures for US\$1,150,000 (approximately CDN\$1,577,600).

On January 12, 2024, the Company closed the final tranche of the November Debentures for an additional US\$722,000 (approximately CDN\$966,036). The November Debentures are unsecured.

Mork Capital has the right to own, after conversion of all of their 2024 Debentures and November Debentures, totaling US\$3,375,000, a total of 30,526,321 common shares. This represents approximately 32.1% of the issued and outstanding common shares as of the date of these financial statements (after giving effect to the conversion of the full amount of the 2024 Debentures and the November Debentures).

Ataraxia Debentures

In May 2023 the Company signed a subscription agreement with Ataraxia Capital ("Ataraxia") in which Ataraxia would purchase US\$2,300,000 of convertible debentures. The terms of the convertible debentures issued to Ataraxia include an annual interest rate of 10%, paid quarterly in arrears. They can also be converted into voting preferred shares with an annual dividend rate of 10% paid per quarter. The preferred shares are not transferable, but may be converted on a one-to-one basis into common shares. The convertible debentures are payable on demand, but are due two years after the issue date. They are secured by a general security agreement, subordinate to the long-term debt.

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On May 31, 2023 the Company issued a two-year term convertible debenture for US\$1,200,000 (CDN\$1,631,954) to Ataraxia and an additional US\$200,000 (CDN\$265,560) on July 10, 2023 (the "2023 Ataraxia Debentures"). The 2023 Ataraxia Debentures have a fixed conversion price of US\$0.143 per common share.

On November 4, 2024 the Company issued a two-year term convertible debenture for US\$500,000 (CDN\$676,995) to Ataraxia and an additional US\$400,000 (CDN\$550,296) on November 12, 2024 (the "2024 Ataraxia Debentures"). The 2024 Ataraxia Debentures have a fixed conversion price of US\$0.24 per common share.

Ataraxia has the right to own, after conversion of all of their 2023 Ataraxia Debentures and 2024 Ataraxia Debentures, 13,540,209 common shares. This represents approximately 14.6% of the issued and outstanding common shares as of the date of these financial statements (after giving effect to the conversion of the full amount of the 2023 Ataraxia Debentures and 2024 Ataraxia Debentures).

Repayment of principal and interest for convertible debentures:	US\$	CDN\$¹
2025	3,102,200	4,462,515
2026	3,830,050	5,509,527
Total principal and interest payments	6,932,250	9,972,042
Less interest	(760,250)	(1,093,619)
Principal remaining	6,172,000	8,878,423
Change in fair value of convertible debentures	206,141	296,534
Net principal remaining	6,378,141	9,174,957
Current portion of convertible debentures	3,416,926	4,915,248
Non-current portion of convertible debentures	2,961,215	4,259,709

1. Converted at 1.4385

Fair Value

The November Debentures and the 2024 Debentures have been revalued at their fair value as of December 31, 2024 using level 3 inputs as follows:

US\$/CDN\$ volatility	6.58%
Stock price volatility	173.78%
Stock price	\$0.11
Risk free interest rate	4.49%
Credit Spread	5.67% to 30.93%

The fair value change to the debentures in 2024 was \$296,534 (US\$206,141) and \$nil for 2023.

Interest expense for convertible debentures:	2024	2023	2022
\$US	\$ 455,112	\$ 94,781	-
\$CDN	\$ 621,378	\$ 128,612	-

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11. 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 were 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.

Repayment of principal and interest:	
2025	\$ 137,593
2026	133,148
2027	128,704
2028	124,259
2029	119,815
2030 to 2031	162,129
Total principal and interest payments	805,648
Less interest	(92,685)
Total principal remaining	712,963
Current portion of long-term debt	111,111
Non-current portion of long-term debt	601,852

12. Lease obligation

	December 31, 2024	December 31, 2023
Aircraft ¹	\$ 1,318,602	\$ 37,242
Office Building	977,420	550,548
Printer	5,520	7,727
	2,301,542	595,517
Current portion of lease obligations	693,607	343,513
Long-term lease obligations	1,607,935	252,004

1. Converted at 1.4385

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Maturity of lease liabilities:	Finance Lease¹	Operating Leases	Total	Weighted Average Remaining Lease Terms
2025	693,743	240,676	934,419	3.7 years
2026	693,742	240,391	934,133	3.1 years
2027	116,615	237,252	353,867	3.3 years
2028	-	237,252	237,252	2.3 years
2029	-	237,252	237,252	1.8 years
2030	-	177,939	177,939	0.8 years
Total lease payments	1,504,100	1,370,762	2,874,862	
Less imputed interest	(185,498)	(387,822)	(573,320)	
Total discounted lease payments	1,318,602	982,940	2,301,542	
Current portion of lease obligations	565,974	127,633	693,607	
Non-current portion of lease obligations	752,628	855,307	1,607,935	

1. Converted at 1.4385

Movement of lease obligations	2024	2023
Opening balance, January 1	\$ 595,517	\$ 1,246,723
Additions	2,252,803	-
Operating lease payments	(364,712)	(739,527)
Finance lease principal payments	(359,706)	-
Lease accretion	99,803	90,378
Foreign exchange	78,740	(908)
Other	(903)	(1,149)
Closing Balance, December 31	2,301,542	595,517
Current portion of lease obligations	693,607	343,513
Long-term lease obligations	1,607,935	252,004

	Lease Term Till	Option to Extend	Incremental Borrowing Rate
Aircraft	March 2027	No	12.0%
Office Building	September 2030	No	10.0%
Printer	November 2026	No	10.8%

As of December 31, 2024 the Company's aircraft lease was a financing lease and the other leases were operating leases. The Company's aircraft lease began to be treated as a finance lease as of March 22, 2024. The Company's total operating lease expenditures for the year ended December 31, 2024 was \$364,712 (2023 - \$739,527). The Company's total financing lease expenditures for the year ended December 31, 2024 was \$ 495,233 (2023 - \$nil).

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Non-cash lease amortization and accretion

	2024	2023	2022
Amortization of lease incentives and other	\$ (9,997)	\$ (8,099)	\$ (4,010)
ROU asset amortization	263,627	600,911	608,495
Lease liability accretion	99,803	90,378	147,664
	353,433	683,190	752,149

13. 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 2.4% and discounted using a credit-adjusted risk-free interest rate of 10%.

	2024	2023	2022
ARO balance, beginning of the year	\$ 27,030	\$ 24,574	\$ 22,337
Accretion expense	2,069	2,069	2,069
Change in ARO estimates	(4,338)	387	168
ARO balance, end of the year	24,761	27,030	24,574

14. Commitments

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

For the year ending December 31,	Office Premises
2025	163,401
2026	163,401
2027	163,401
2028	163,401
2029	163,401
2030	122,551
Total	939,556

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15. 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,			
	2024		2023	
	# of shares	\$ amount	# of shares	\$ amount
As at the beginning of the year	78,025,237	98,179,271	68,949,109	96,423,648
Private placement, net of issuance costs	-	-	8,510,000	1,622,057
Employee Share Purchase Plan (Note 17)	469,947	83,239	309,509	66,755
Restricted Stock Units (Note 17)	-	-	256,619	66,811
As at the end of the year	78,495,184	98,262,510	78,025,237	98,179,271

	For the year ended December 31,	
	2022	
	# of shares	\$ amount
As at the beginning of the year	65,250,710	\$95,779,352
Rights offering, net of issuance costs	2,149,180	216,062
Private placement, net of issuance costs	1,148,282	216,182
Employee Share Purchase Plan (Note 17)	188,633	89,127
Restricted Stock Units	212,304	122,925
As at the end of the year	68,949,109	96,423,648

On December 22, 2022 the Company announced a multi-tranche private placement (the “Private Placement”) at \$0.195 per share. At December 22, 2022 the Company issued 1,148,282 common shares for gross proceeds of \$223,915 in the first tranche, less issuance costs of \$7,732. On January 25, 2023, the Company closed the Private Placement by issuing an additional 8,510,000 common shares, at \$0.195 per common share, for additional aggregate gross proceeds of approximately \$1,659,450, less issuance costs of \$37,393.

On December 2, 2022, NXT closed the Rights Offering that had been announced on October 31, 2022. The Company issued 2,149,180 common shares a price of \$0.18 per common share, for aggregate gross proceeds of a \$386,852. Share issue costs of \$170,790 were recorded as a reduction to share capital.

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16. Loss per share

	For the years ended December 31,		
	2024	2023	2022
Net loss for the year	\$(9,077,495)	\$(5,451,112)	\$(6,733,076)
Weighted average number of shares outstanding for the year:			
Basic	78,271,095	77,646,094	65,602,875
Diluted	78,271,095	77,646,094	65,602,875
Net loss per share – Basic	\$(0.12)	\$(0.07)	\$(0.10)
Net loss per share – Diluted	\$(0.12)	\$(0.07)	\$(0.10)

In years in which a loss results, all outstanding stock options, RSUs, deferred share units (“DSUs”) and potential shares from convertible debentures are excluded from the diluted loss per share calculations, as their effect is anti-dilutive.

17. 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, 2024, 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.

	For the years ended December 31,		
	2024	2023	2022
Stock Option Expense	\$118,849	\$92,500	\$22,552
Deferred Share Units	15,000	-	-
Compensation Expense	52,634	55,821	-
Stock-based compensation expense in Contributed Capital	186,483	148,321	22,552
Employee Share Purchase Plan	41,619	30,508	39,389
Restricted Stock Units	40,632	62,442	153,343
Total stock-based compensation expense	268,734	241,271	215,284

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Stock Options:

The following is a summary of stock options which are outstanding as at December 31, 2024.

Exercise price per share	# of options outstanding	# of options exercisable	Average remaining life (in years)
\$0.174	69,200	69,200	0.9
\$0.200	166,200	166,200	3.4
\$0.216	1,825,200	55,200	3.0
\$0.252	115,250	115,250	2.9
\$0.259	100,000	-	3.7
\$0.260	52,650	52,650	3.0
\$0.264	177,200	177,200	3.0
\$0.440	21,360	21,360	0.9
\$0.510	16,000	16,000	0.7
\$0.550	30,000	30,000	0.1
\$0.620	18,050	18,050	0.9
\$0.680	32,250	32,250	0.9
\$0.720	24,460	24,460	0.9
	2,647,820	777,820	2.8

A continuity of the number of stock options which are outstanding at the end of the current year and as at the prior years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31,			
	2024		2023	
	# of stock Options	weighted average exercise price	# of stock Options	Weighted Average exercise price
Options outstanding, start of the year	2,927,820	\$0.32	461,320	\$0.51
Granted	-	\$ -	2,716,500	\$0.22
Forfeited	(180,000)	\$(0.22)	(100,000)	\$(0.22)
Expired	(100,000)	\$(0.52)	(150,000)	\$(0.59)
Options outstanding, end of the year	2,647,820	\$0.24	2,927,820	\$0.25
Options exercisable, end of the year	777,820	\$0.30	877,820	\$0.32

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For the year ended December 31, 2022

	# of stock Options	Weighted Average exercise price
Options outstanding, start of the year	358,660	\$0.56
Granted	134,060	\$0.40
Cancelled	(31,400)	\$(0.51)
Options outstanding, end of the year	461,320	\$0.51
Options exercisable, end of the year	461,320	\$0.51

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.

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 year ended	2024	2023	2022
Expected dividends paid per common share	-	Nil	Nil
Expected life in years	-	5.0	5.0
Weighted average expected volatility in the price of common shares	-	79%	75%
Weighted average risk-free interest rate	-	3.32%	3.05%
Weighted average fair market value per share at grant date	-	\$0.22	\$0.40
Forfeiture rate	-	18.5%	0%

Deferred Stock Units:

A continuity of the number of DSUs which are outstanding at the end of the current year and as at the prior years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31,		
Opening balance	2024	2023	2022
Opening balance	37,354	37,354	37,354
Granted	82,872	-	-
Closing balance	120,226	37,354	37,354

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.

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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 year and as the end of the prior years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31,			
	2024		2023	
	# of RSUs	FV/Unit	# of RSUs	FV/Unit
RSUs outstanding, start of the year	-	-	348,334	\$0.21
Granted	1,035,000	\$0.14	-	-
Common shares issued	-	-	(256,619)	(\$0.26)
Payroll withholdings settled in cash	-	-	(91,715)	(\$0.23)
Forfeited	(120,000)	(\$0.14)		
RSUs outstanding, end of the year	915,000	\$0.155	-	-

	For the year ended December 31,	
	2022	
	# of RSUs	FV/Unit
RSUs outstanding, start of the year	696,666	\$0.61
Granted	-	-
Common shares issued	(212,304)	(\$0.58)
Payroll withholdings settled in cash	(136,028)	(\$0.58)
RSUs outstanding, end of the year	348,334	\$0.21

Employee Share Purchase 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 TSX. During 2024, 2023, and 2022 the Company has elected to issue common shares from treasury.

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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 years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31,			
	2024		2023	
	# of shares	\$ amount	# of shares	\$ amount
Purchased by employees	234,974	\$ 41,620	168,515	\$ 36,246
Matched by the Company	234,973	41,619	140,994	30,509
Total Common Shares issued	469,947	83,239	309,509	66,755

For the year ended December 31,		
2022		
	# of shares	\$ amount
Purchased by employees	105,221	\$ 49,738
Matched by the Company	83,412	39,389
Total Common Shares issued	188,633	89,127

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”). As at December 31, 2024 the Company has accrued \$nil for the Bonus Match (\$nil as at December 31, 2023).

Compensation Expense:

On October 1, 2023 the Company entered into a service agreement with a marketing consultant to provide sales and market services to introduce potential customers to the SFD® technology, attend trade shows, and update the Company’s market 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 were due to the marketing consultant on December 31, 2024. (360,139 common shares at December 31, 2023.)

Subsequent Events:

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 incentive stock options will vest upon the achieving of a trailing twelve-month free cash flow per share of \$0.10.

On February 24, 2025 the Company granted 1,875,000 RSUs to employees and officers which will vest over a three-year period.

634,439 common shares were issued to the marketing consultant on January 29, 2025.

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18. Income Tax Expense

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,		
	2024	2023	2022
Net loss before income taxes	\$(9,077,795)	\$(5,451,112)	\$(6,733,076)
Canadian statutory income tax rate	23.0%	23.0%	23.0%
Income tax (recovery) at statutory income tax rate	(2,087,893)	(1,253,756)	(1,548,607)
Effect of non- deductible expenses and other items:			
Stock-based compensation and other expenses	92,142	58,801	53,379
Change in statutory tax rates	-	-	(11,997)
Foreign exchange adjustments	160,597	2,754	-
True-up	(14,841)	(10,060)	(3,280)
US loss expiry and Other	1,530	437,330	(33,113)
Change in valuation allowance	1,848,465	764,931	1,543,618
Income tax expense (recovery)	-	-	-

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:

	For the years ended December 31,		
	2024	2023	2022
Net operating losses carried forward:			
Canada (expiration dates 2027 to 2044)	\$ 11,076,403	\$ 9,594,511	\$ 9,136,353
USA (expiration dates 2025 to 2026)	3,921	5,631	169,359
Timing differences on property & equipment, Right of Use of Assets, Lease obligations and Financing	1,784,071	1,806,446	1,726,603
SRED Expenditures	676,518	676,518	676,518
Foreign Tax Credit	285,772	285,772	285,772
	13,826,685	12,368,878	11,994,605
Intellectual property	(2,247,441)	(2,638,099)	(3,028,757)
Less valuation allowance	(11,579,244)	(9,730,779)	(8,965,848)
	-	-	-

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19. Financial instruments

Non-derivative financial instruments:

The Company's non-derivative financial instruments consist of cash and cash equivalents, accounts receivable, accounts payables 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 may be settled early at face value at the Company's discretion.

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 and accounts receivable. The carrying value of cash and cash equivalents and accounts receivable reflects management's assessment of maximum exposure to credit risk. At December 31, 2024, 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 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, accounts receivable, deposits, accounts payables, accrued liabilities, deferred revenue, convertible debentures, and lease obligations, and entering into SFD[®] survey contracts which are priced 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 at December 31, 2024, the Company held net United States dollar liabilities totaling approximately US\$7,130,144. Accordingly, a hypothetical 10% change in the value of one United States dollar expressed in Canadian dollars as at December 31, 2024 would have had an approximately \$1,025,671 effect on the unrealized foreign exchange gain or loss for the year.

20. 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,		
	2024	2023	2022
Accounts receivable	\$ 1,722,665	\$ (1,835,922)	\$ 784,502
Prepaid expenses	(221,126)	(17,516)	229,279
Accounts payable and accrued liabilities	(438,199)	559,351	741,326
Deferred revenue	805,656	-	-
	1,868,996	(1,294,087)	1,755,107

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21. 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, 2024 and 2023 was generated solely from the Hydrocarbon Right. Revenues for the year ended December 31, 2023 was generated from one customer.

	2024	2023	2022
International	\$ 644,294	\$ 2,145,716	\$ -
Canada	-	-	-
	644,294	2,145,716	-

22. 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 \$55,455 (\$36,938 as at December 31, 2023) payable to this law firm.

Another member of Board is a board member of Pana Holdings Mauritius, the parent company of Ataraxia, which holds convertible debentures (Note 10). Accounts payable and accrued liabilities include a total of \$40,011 (US\$27,814), (\$19,699 or US\$14,890, as at December 31, 2023) to Ataraxia for accrued interest.

A third member of Board is an employee of MCAPM LP, which holds convertible debentures (Note 10). Accounts payable and accrued liabilities include a total of \$57,063 (US\$39,669) to Mork Capital for accrued interest.

All members of the Board elected to have most of their Board fees payable at December 31, 2023 (Note 10) converted into the November Debentures, for a total of US\$147,000 (CDN\$196,686). Accounts payable and accrued liabilities include a total of \$4,680 (US\$3,253), (\$nil as at December 31, 2023) to Board members for accrued interest.

Accounts payable and accrued liabilities include \$201,218 (\$228,199 as at December 31, 2023) for Board fees and \$35,250 (\$98,708 as at December 31, 2023) for management compensation.

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Related party expenses

	For the years ended December 31,		
	2024	2023	2022
Legal Fees	\$ 164,373	\$ 129,600	\$ 92,308
Interest Expense ¹	\$ 441,986	\$ 107,792	\$ -
Board of director fees	\$ 182,500	\$ 158,199	\$ 185,000
Management Compensation	\$ 436 526	\$ 389,451	\$ 544,929

1. US\$322,905 for 2024 and US\$79,356 for 2023. Includes interest expense for Ataraxia, Mork Capital and board of directors.