



NXT ENERGY SOLUTIONS INC.

Consolidated Financial Statements

**For the Years ended
December 31, 2025, 2024 and 2023**



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of NXT Energy Solutions Inc. (the Company) as at December 31, 2025 and 2024, and the related consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity (deficit) for each of the years in the three-year period ended December 31, 2025, 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, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

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 31, 2026

NXT ENERGY SOLUTIONS INC.

Consolidated Balance Sheets

(Expressed in Canadian dollars)

	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 3,577,138	\$ 730,395
Short-term investments (Note 3)	343,075	-
Accounts receivable (Note 4)	2,928,840	105,858
Contract assets (Note 4)	1,303,051	-
Prepaid expenses	217,242	274,799
	8,369,346	1,111,052
Long term assets		
Deposits (Note 5)	249,155	261,485
Property and equipment (Note 6)	388,792	375,777
Right of Use Assets (Note 7)	2,231,620	2,506,506
Intellectual property (Note 8)	8,072,967	9,771,481
	\$ 19,311,880	\$ 14,026,301
Liabilities and Shareholders' Deficit		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9, 25)	\$ 1,662,048	\$ 1,233,974
Income tax payable (Note 20)	496,965	-
Deferred revenue (Note 10)	-	840,768
Convertible debentures (Note 11)	89,826	4,915,248
Current portion of long-term debt (Note 12)	111,111	111,111
Current portion of lease obligations (Note 13)	752,378	693,607
	3,112,328	7,794,708
Long-term liabilities		
Convertible debentures (Note 11)	-	4,259,709
Long-term debt (Note 12)	490,741	601,852
Long-term lease obligations (Note 13)	820,924	1,607,935
Asset retirement obligations (Note 14)	23,311	24,761
	1,334,976	6,494,257
	4,447,304	14,288,965
Shareholders' equity (deficit)		
Common shares (Note 16): - authorized unlimited		
Issued: 118,596,228 (2024 - 78,495,184) common shares	115,497,385	98,262,510
Contributed capital	9,948,836	9,739,322
Deficit	(110,581,645)	(108,264,496)
	14,864,576	(262,664)
	\$ 19,311,880	\$ 14,026,301

Going Concern (Note 1)

Commitments (Note 15)

Subsequent events (Notes 4 & 11)

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,		
	2025	2024	2023
Revenue			
SFD® related revenue (Note 24)	\$ 16,351,286	\$ 644,294	\$ 2,145,716
Expenses			
SFD® related costs, net	5,758,141	2,021,768	2,249,126
General and administrative expenses (Note 18, 25)	4,329,325	4,045,778	3,420,143
Amortization	1,920,733	1,887,013	1,759,473
	<u>12,008,199</u>	<u>7,954,559</u>	<u>7,428,742</u>
Other expenses (income)			
Interest expense, net	516,775	750,611	160,262
Foreign exchange loss (gain)	(32,923)	574,106	(8,028)
Loss on remeasurement of convertible debentures (Note 11)	5,418,502	296,534	-
Other (Note 19)	260,917	146,279	15,852
	<u>6,163,271</u>	<u>1,767,530</u>	<u>168,086</u>
Loss before income taxes	(1,820,184)	(9,077,795)	(5,451,112)
Income tax expense (Note 20)	<u>496,965</u>	<u>-</u>	<u>-</u>
Net loss and comprehensive loss	<u>\$ (2,317,149)</u>	<u>\$ (9,077,795)</u>	<u>\$ (5,451,112)</u>
Loss per share (Note 17)			
Basic	\$ (0.02)	\$ (0.12)	\$ (0.07)
Diluted	<u>\$ (0.02)</u>	<u>\$ (0.12)</u>	<u>\$ (0.07)</u>

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,		
	2025	2024	2023
Cash from (used in):			
Operating activities			
Net loss	\$ (2,317,149)	\$ (9,077,795)	\$ (5,451,112)
Items not affecting cash:			
Stock based compensation expense (Note 18)	702,880	268,734	241,271
Amortization (Notes 6, 7, & 8)	1,920,733	1,887,013	1,759,473
Accretion expense (recovery) (Note 14)	(1,450)	(2,269)	2,456
Non-cash lease amortization and accretion (Note 13)	235,003	353,433	683,190
Foreign exchange (gain) loss	(296,635)	659,257	(25,451)
Loss on disposal of assets and lease modifications	7,138	135,455	-
Remeasurement of convertible debentures (Note 11)	5,418,502	296,534	-
Change in non-cash working capital balances (Note 22)	(4,265,429)	1,874,759	(1,290,725)
Lease payments (Note 13)	(240,676)	(364,712)	(739,527)
Prepaid long-term insurance	-	-	(11,525)
	<u>3,480,066</u>	<u>5,108,204</u>	<u>619,162</u>
Net cash from (used in) operating activities	<u>1,162,917</u>	<u>(3,969,591)</u>	<u>(4,831,950)</u>
Financing activities			
Proceeds from the Employee Share Purchase plan (Note 18)	43,495	41,620	36,246
Proceeds from stock options and restricted stock units	65,537	-	4,370
Repayment of long-term debt (Note 12)	(111,111)	(111,111)	(111,111)
Net proceeds from Private Placement (Note 16)	2,777,168	-	1,622,057
Net proceeds from Convertible Debentures (Note 11)	-	4,735,004	3,457,555
Repayment of lease obligations (Note 13)	(565,969)	(359,706)	-
Net cash from financing activities	<u>2,209,120</u>	<u>4,305,807</u>	<u>5,009,117</u>
Investing activities			
Purchase of property and equipment, net	(89,448)	(27,029)	(32,322)
Purchase of short-term investments (Note 3)	(349,660)	-	-
Net cash used in investing activities	<u>(439,108)</u>	<u>(27,029)</u>	<u>(32,322)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(86,186)</u>	<u>19,495</u>	<u>(6,569)</u>
Net increase in cash and cash equivalents	2,846,743	328,682	138,276
Cash and cash equivalents, beginning of the year	730,395	401,713	263,437
Cash and cash equivalents, end of the year	<u>\$ 3,577,138</u>	<u>\$ 730,395</u>	<u>\$ 401,713</u>
Supplemental information			
Cash interest paid	<u>\$ 486,857</u>	<u>\$ 548,756</u>	<u>\$ 120,952</u>

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,		
	2025	2024	2023
Common Shares			
Balance at beginning of the year	\$ 98,262,510	\$ 98,179,271	\$ 96,423,648
Issuance of common stock, net of share issuance costs for (Note 16):			
Private placements	2,777,168	-	1,622,057
Employee Share Purchase Plan	86,990	83,239	66,755
Restricted Stock Unit Plan	39,035	-	66,811
Exercise of stock options	65,537	-	-
Conversion of convertible debentures	14,114,800	-	-
Transfers from contributed capital:			
Exercise of stock options	42,890	-	-
Equity based transaction with a non-employee (Note 16)	108,455	-	-
Balance at end of the year	<u>\$ 115,497,385</u>	<u>\$ 98,262,510</u>	<u>\$ 98,179,271</u>
Contributed Capital			
Balance at beginning of the year	\$ 9,739,322	\$ 9,552,839	\$ 9,404,518
Transfer of equity to common shares	(151,345)	-	-
Recognition of stock based compensation expense (Note 18)	360,859	186,483	148,321
Balance at end of the year	<u>\$ 9,948,836</u>	<u>\$ 9,739,322</u>	<u>\$ 9,552,839</u>
Deficit			
Balance at beginning of the year	(\$108,264,496)	(\$99,186,701)	(\$93,735,589)
Net loss	(2,317,149)	(9,077,795)	(5,451,112)
Balance at end of the year	<u>(\$110,581,645)</u>	<u>(\$108,264,496)</u>	<u>(\$99,186,701)</u>
Total Shareholders' Equity (Deficit) at end of the year	<u>\$ 14,864,576</u>	<u>\$ (262,664)</u>	<u>\$ 8,545,409</u>

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, 2025, 2024 and 2023

(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 audited consolidated financial statements for the year ended December 31, 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 one of those SFD® surveys and the interpretation phase of two of the 2025 SFD® Surveys. In addition, during 2023 and 2024 the Company completed convertible debenture financings which resulted in raising additional net proceeds of approximately US\$6,172,000 of which US\$6,127,000 of the original proceeds have been converted to common shares as of December 31, 2025.

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 Consolidated Financial Statements

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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 2025, 2024 and 2023, 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, reaching the final milestone payment for the geothermal right, lease interest rates and terms, the fair value of convertible debentures, and the assumptions used to measure stock-based compensation expense.

NXT ENERGY SOLUTIONS INC.

Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2025, 2024 and 2023

(Expressed in Canadian dollars unless otherwise stated)

2. Significant Accounting Policies

Basis of Presentation

These consolidated financial statements for the year ended December 31, 2025, have been prepared by management in accordance with generally accepted accounting principles of US GAAP.

Consolidation

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

Cash and Cash Equivalents

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

Short Term Investments

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

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, 2025 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

NXT ENERGY SOLUTIONS INC.

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inputs are considered to be observable. As contracts near maturity and observable market data becomes available, the contracts are transferred out of Level III and into Level II.

The determination of the fair value of the acquisition of the Intellectual property (Note 8) was determined using Level III inputs, as well as the convertible debentures (Note 11).

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.

NXT ENERGY SOLUTIONS INC.

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

Convertible Debentures

The Company's convertible debentures are denominated in U.S. dollars while the Company's functional currency is the Canadian dollar. As a result, the conversion feature does not meet the "fixed-for-fixed" equity classification criteria under ASC 815. Accordingly, the convertible debentures are classified as financial liabilities and measured at fair value through profit or loss, with changes in fair value recognized in earnings. If the convertible debentures are converted to common shares, the common shares will be classified as equity. Interest on the convertible debenture is accrued as earned.

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.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves income tax disclosures by requiring: (1) consistent categories and greater disaggregation of information in the rate reconciliation, and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024.

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

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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.

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 SFD® survey contracts is recognized over time using an input method based on direct survey costs incurred relative to total estimated survey costs. The determination of total estimated survey costs requires management judgment and is based on expected aircraft utilization, personnel costs, data processing costs, and other project-specific inputs.

Changes in estimated total costs or project scope may result in adjustments to revenue recognized in the period of change. 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.

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars unless otherwise stated)

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 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. The office lease contains non-lease components which are detailed in Note 15.

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.

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3. Short-term investments

As at December 31, 2025 all GIC's had less than one year left before maturity. Interest rates ranged from 2.5% to 2.7%.

Days to maturity	December 31, 2025	December 31, 2024
Less than 90 days	\$ 68,615	\$ -
91 to 180 days	205,845	-
Greater than 180 days	68,615	-
	343,075	-

4. Accounts receivable and Contract Assets

	December 31, 2025	December 31, 2024
Total receivables and contract assets	\$ 4,135,241	\$ 22,210
Contract assets	(1,303,051)	-
Trade receivables	2,832,190	22,210
Other receivables	96,650	83,648
Net Accounts receivable	2,928,840	105,858
Allowance for doubtful accounts	-	-
Accounts receivable	2,928,840	105,858

Aging of trade receivable as of December 31, 2025

Current	\$1,243,715
0-90 days	68,630
91-180 days	-
>180 days	1,519,845
	2,832,190

Allowance for Doubtful Accounts

The \$68,630 that was less than 90 days overdue was paid subsequent to year end.

The \$1,519,845 overdue for greater than 180 days is with one customer. The customer paid the Company US\$2,000,000 between November 26, 2025, and December 2, 2025, for invoices related to this outstanding amount. In addition, the customer paid US\$346,500 on February 13, 2026, for the mobilization fee for an upcoming SFD® survey in Africa. The Company is in constant communication with its customer and is not providing additional services to the customer until the remaining overdue accounts receivable is settled. Given these recent payments and continued discussions with the customer, the

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Company has determined a provision for doubtful accounts on the outstanding accounts receivable balances at December 31, 2025, is not required.

Contract Assets

Contract assets are revenues not invoiced as of December 31, 2025.

Movement in contract assets	For the year ended December 31, 2025	
	US\$	CDN\$
Opening balance, January 1	\$ -	\$ -
Revenue	11,486,476	16,351,286
Revenue invoiced per contract milestones	(10,536,943)	(15,048,235)
Closing balance, December 31	949,533	1,303,051

5. 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, 2025	December 31, 2024
Aircraft	\$205,846	\$215,775
Building	43,309	43,309
Prepaid expenses	-	2,401
	249,155	261,485

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6. Property and equipment

	December 31, 2025		
	Cost Base	Accumulated Amortization	Net book value
Survey equipment	\$ 999,990	\$ 796,808	\$ 203,182
Computers and software	926,313	902,603	23,710
Furniture and other equipment	407,885	402,708	5,177
Leasehold improvements	523,507	366,784	156,723
	2,857,695	2,468,903	388,792

	December 31, 2024		
	Cost Base	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

7. Right of use assets

	December 31, 2025		
	Cost Base	Accumulated Amortization	Right of Use
Aircraft	\$3,468,239	\$2,091,929	\$1,376,310
Office Building	2,324,694	1,472,261	852,433
Printer	9,716	6,839	2,877
	5,802,649	3,571,029	2,231,620

	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

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

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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, 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.

8. Intellectual property

	December 31, 2025		
	Cost Base	Accumulated amortization	Net book Value
SFD® Hydrocarbon Right acquired	\$ 25,271,000	\$ 17,409,334	\$ 7,861,666
SFD® Geothermal Right acquired	275,610	64,309	211,301
	25,546,610	17,473,643	8,072,967

	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

SFD® Hydrocarbon and SFD® Geothermal Rights

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”), The Company acquired the SFD® technology rights for geothermal resources (“Geothermal Right”) from the former CEO on April 18, 2021. The Hydrocarbon Right and Geothermal Right were recorded at the fair value of the consideration transferred and are capitalized.

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.

All Other SFD® Technology and Rights

On December 23, 2025, NXT acquired remaining SFD® rights for all present and future applications, sensor uses, and geophysical targets using SFD®, and as a result has full ownership of the SFD® technology. The consideration paid for these remaining SFD® rights have been expensed.

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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	(1,684,733)	(13,781)	(1,698,514)
Net book value at December 31, 2025	7,861,666	211,301	8,072,967

9. Accounts payable and accrued liabilities

	December 31, 2025	December 31, 2024
Accrued liabilities related to:		
Consultants and professional fees	\$ 72,434	\$ 261,753
Payroll related	496,457	471,596
Board of director's fees	291,218	201,218
Interest payable	13,430	109,029
	873,539	1,043,596
Trade payables and other	788,509	190,378
	1,662,048	1,233,974

At December 31, 2025, payroll related includes \$326,841 accrued for RSUs.

10. Deferred revenue

As of December 31, 2024, the company has received \$840,768 (US\$584,477) of deposits for signed SFD® contracts that were started in 2025. There is no deferred revenue at December 31, 2025.

11. Convertible Debentures

The table below details convertible debentures outstanding at December 31, 2025.

Repayment of principal and interest for convertible debentures:	US\$	CDN\$ ¹
2026	54,611	74,943
Total principal and interest payments	54,611	74,943
Less interest	(9,611)	(13,189)
Principal remaining	45,000	61,754
Accumulated change in fair value of convertible debentures	20,456	28,072
Fair value of convertible debentures	65,456	89,826

1. Converted at 1.3723

The debentures outstanding at December 31, 2025, bear interest at 10.0% per annum, paid quarterly in arrears, and are due and payable two years after issuance. The remaining debentures were converted into 248,893 common shares at a fixed conversion price of US\$0.1808 on January 5, 2026.

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Between May 31, 2023, and November 12, 2024, the Company issued a total of US\$6,172,000 of convertible debentures. US\$6,127,000 of the debentures were converted into common shares during 2025. The fair value of the convertible debentures is determined using valuation techniques that incorporate significant unobservable inputs and is classified as Level 3 within the fair value hierarchy. Key inputs include the market price of the Company's common shares, expected share price volatility, remaining term to maturity, and the contractual conversion price.

During the year ended December 31, 2025, the Company recognized a loss of \$5,418,502 related to the remeasurement of convertible debentures, which is included in other expenses in the consolidated statements of loss and comprehensive loss.

A change in expected volatility or share price assumptions would have a significant impact on the estimated fair value of the convertible debentures and the related gain or loss recognized in earnings.

Movement in convertible debentures	For the year ended December 31, 2025	
	US\$	CDN\$
Opening balance, January 1	\$ 6,378,141	\$ 9,174,957
Fair value remeasurement of convertible debentures held at the beginning of the period	3,960,005	5,418,502
Conversion to common shares	(10,272,690)	(14,114,800)
Foreign exchange	-	(388,833)
Closing balance, December 31	65,456	89,826

Debenture Conversions

On May 30, 2025, Ataraxia Capital ("Ataraxia") converted \$3,175,480 (US\$2,300,000) of convertible debentures into 13,540,208 common 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 common shares related to the Mork Capital convertible debenture were recognized at their fair value using Level 3 inputs, resulting in a fair value of C\$9,986,066 (US\$7,282,838) on the date of conversion.

On September 23, 2025, US\$49,000 face value of convertible debentures were converted into 271,017 common shares of NXT at a conversion price of US\$0.1808. The common shares related to the September 23, 2025, conversion of convertible debenture was recognized at their fair value using Level 3 inputs, resulting in a fair value of C\$153,571 (US\$111,078) on the date of conversion.

During December 2025, US\$677,000 face value of convertible debentures were converted into 2,228,979 common shares of NXT at a conversion price of US\$0.1808. The common shares related to the December 2025, conversion of convertible debenture was recognized at their fair value using Level 3 inputs, resulting in a fair value of C\$799,683 (US\$578,774) on the dates of conversion.

The fair value attributed to convertible debentures was determined utilizing the following key weighted average assumptions:

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For the year ended	2025	2024
Volatility	99%	94%
Term to maturity (years)	0.64	1.19
Price of common shares	\$0.41	\$0.11

Interest expense for convertible debentures:	2025	2024	2023
\$US	\$ 305,383	\$ 455,112	\$ 94,781
\$CDN	\$ 432,782	\$ 621,378	\$ 128,612

12. Long-term debt

On May 26, 2021, the Company received \$1,000,000 from the Business Development Bank of Canada's ("BDC") Highly Affected Sectors Credit Availability Program ("HASCAP Loan"), funded by the Royal Bank of Canada. The HASCAP Loan is a \$1,000,000 non-revolving ten-year term credit facility with an interest rate of 4%. Repayment terms 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:	
2026	\$ 133,148
2027	128,704
2028	124,259
2029	119,815
2030 to 2031	162,130
Total principal and interest payments	668,056
Less interest	(66,204)
Total principal remaining	601,852
Current portion of long-term debt	111,111
Non-current portion of long-term debt	490,741

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13. Lease obligations

	For the year ended December 31,	
	2025	2024
Opening balance, January 1	\$ 2,301,542	\$ 595,517
Additions	-	2,252,803
Operating lease payments	(240,676)	(364,712)
Finance lease principal payments	(565,969)	(359,706)
Lease accretion	113,041	99,803
Foreign exchange	(34,636)	77,837
Closing Balance	1,573,302	2,301,542
Current portion of lease obligations	752,378	693,607
Long-term lease obligations	820,924	1,607,935

Maturity of lease liabilities:	Finance Lease¹	Operating Leases	Total
2026	661,816	240,391	902,207
2027	111,248	237,252	348,500
2028	-	237,252	237,252
2029	-	237,252	237,252
2030	-	177,939	177,939
Total lease payments	773,064	1,130,086	1,903,150
Less imputed interest	(55,078)	(274,770)	(329,848)
Total discounted lease payments	717,986	855,316	1,573,302
Current portion of lease obligations	608,404	143,974	752,378
Non-current portion of lease obligations	109,582	711,342	820,924

1. Converted at 1.3723

As of December 31, 2025, the Company's aircraft lease was a financing lease, and the other leases were operating leases. The weighted average incremental borrowing rate for all leases is 10.9%. None of the leases have an option to extend past their current terms. The weighted average remaining lease terms at December 31, 2025, is 3.1 years. The Company's total operating lease expenditures for the period ended December 31, 2025, were \$240,672 (2024 - \$366,571). The Company's total financing lease expenditures for the period ended December 31, 2025, was \$676,105 (2024 - \$495,233), including interest expense of approximately \$124,741 (2024-\$131,337). Lease expense for operating leases are included in general and administrative expenses, while finance lease expenses are included in both amortization and interest expense, net.

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Non-cash lease amortization and accretion

	For the years ended December 31,		
	2025	2024	2023
Amortization of lease incentives and other	\$ (5,672)	\$ (9,997)	\$ (8,099)
ROU asset amortization	127,634	263,627	600,911
Lease liability accretion	113,041	99,803	90,378
	<u>235,003</u>	<u>353,433</u>	<u>683,190</u>

14. Asset retirement obligations

Asset retirement obligations ("ARO") relate to minor non-operated interests in oil and natural gas wells in which NXT has outstanding abandonment and reclamation obligations in accordance with government regulations. The estimated future abandonment liability is based on estimates of the future timing and costs to abandon, remediate and reclaim the well sites within the next five years. The net present value of the ARO is as noted below and has been calculated using an inflation rate of 2.4% and discounted using a credit-adjusted risk-free interest rate of 10%.

	2025	2024	2023
ARO balance, beginning of the year	\$ 24,761	\$ 27,030	\$ 24,574
Accretion expense	2,457	2,069	2,069
Change in ARO estimates	(3,907)	(4,338)	387
ARO balance, end of the year	<u>23,311</u>	<u>24,761</u>	<u>27,030</u>

15. 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
2026	163,401
2027	163,401
2028	163,401
2029	163,401
2030	122,551
Total	<u>776,155</u>

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16. Common shares

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

	For the years ended December 31,			
	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
Private placement, net of issuance costs	7,050,500	2,777,168	-	-
Employee Share Purchase Plan (Note 18)	265,808	86,990	469,947	83,239
Restricted Stock Units (Note 18)	194,206	39,035	-	-
Exercise of Stock Options (Note 18)	310,799	108,427	-	-
Conversion of convertible debentures (Note 11)	31,645,292	14,114,800	-	-
Equity based transaction with non-employee (Note 18)	634,439	108,455	-	-
As at the end of the year	118,596,228	115,497,385	78,495,184	98,262,510

	For the year ended December 31,	
	2023	
	# of shares	\$ amount
As at the beginning of the year	68,949,109	96,423,648
Private placement, net of issuance costs	8,510,000	1,622,057
Employee Share Purchase Plan (Note 18)	309,509	66,755
Restricted Stock Units (Note 18)	256,619	66,811
As at the end of the year	78,025,237	98,179,271

Private Placements

On November 24, 2025, the Company finalized a private placement for \$0.40 per share. The Company issued 7,050,500 common shares for gross proceeds of approximately \$2,821,272 (US\$2,000,000) less issuance costs of \$44,104.

On December 22, 2022, the Company announced a multi-tranche private placement (the "2022 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 2022 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.

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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.

17. Net loss income per share

Net loss per share – Basic & Diluted

	For the years ended December 31,		
	2025	2024	2023
Net loss for the year	\$(2,317,149)	\$(9,077,495)	\$(5,451,112)
Weighted average number of shares outstanding for the year:			
Basic	96,453,727	78,271,095	77,646,094
Diluted	96,453,727	78,271,095	77,646,094
Net loss per share – Basic	\$(0.02)	\$(0.12)	\$(0.07)
Net loss per share – Diluted	\$(0.02)	\$(0.12)	\$(0.07)

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

18. Share-based compensation

The Company has an equity compensation program in place for its executives, employees and directors. Executives and employees are given equity compensation grants that vest based on a recipient's continued employment. The Company’s stock-based compensation awards outstanding as at December 31, 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 years ended December 31,		
	2025	2024	2023
Stock Option Expense	\$205,859	\$118,849	\$92,500
Deferred Share Units	155,000	15,000	-
Compensation Expense (Note 16)	-	52,634	55,821
Stock-based compensation expense in Contributed Capital	360,859	186,483	148,321
Employee Share Purchase Plan	43,494	41,619	30,508
Restricted Stock Units	298,527	40,632	62,442
Total stock-based compensation expense	702,880	268,734	241,271

Stock Options:

The following is a summary of stock options which are outstanding as at December 31, 2025.

Exercise price per share	# of options outstanding	# of options exercisable	Average remaining life (in years)
\$0.200	166,200	166,200	2.4
\$0.203	1,400,000	-	4.2
\$0.216	1,553,334	440,000	2.0
\$0.252	78,850	78,850	2.7
\$0.259	100,000	33,333	2.7
\$0.260	52,650	52,650	2.0
\$0.264	177,200	177,200	2.0
\$0.309	4,350,000	50,000	5.0
	7,878,234	998,233	4.0

The 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, 2024, and 2023 are as follows:

	For the years ended December 31,			
	2025		2024	
	# of stock Options	weighted average exercise price	# of stock Options	Weighted Average exercise price
Options outstanding, start of the year	2,647,820	\$0.30	2,927,820	\$0.32
Granted	5,750,000	\$0.28	-	\$ -
Exercised	(310,799)	\$(0.21)	-	\$ -
Forfeited	-	\$ -	(180,000)	\$(0.22)
Expired	(208,787)	\$(0.48)	(100,000)	\$(0.52)
Options outstanding, end of the year	7,878,234	\$0.27	2,647,820	\$0.24
Options exercisable, end of the year	998,233	\$0.23	777,820	\$0.30

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For the year ended December 31, 2023

	# of stock Options	Weighted Average exercise price
Options outstanding, start of the year	461,320	\$0.51
Granted	2,716,500	\$0.22
Forfeited	(100,000)	\$(0.22)
Expired	(150,000)	\$(0.59)
Options outstanding, end of the year	2,927,820	\$0.25
Options exercisable, end of the year	877,820	\$0.32

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 December 16, 2025, the Company granted 4,300,000 incentive stock options at a strike price of \$0.309 to employees and directors of the Company. One half of these stock options will vest when the Company achieves a trailing twelve-month free cash flow per share of \$0.15. The other half will vest when the Company achieves a trailing 12-month revenue of \$25,000,000. The Company is recognizing Stock based compensation expense ("SBCE") for these stock options. None have vested as of December 31, 2025.

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. None have vested as of December 31, 2025.

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 vest upon receipt of cash for SFD® services performed as per the following schedule.

Vesting Target	Vested
1/3 vest upon the collection of US\$6.5 million	Yes
1/3 vest upon the collection of the next US\$7.0 million	No
1/3 vest upon the collection of an additional US\$7.5 million	No

Approximately 1,653,334 of these options are outstanding as of December 31, 2025, of which 473,333 are vested.

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:

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For the year ended	2025	2024	2023
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	115%	-	79%
Weighted average risk-free interest rate	3.16%	-	3.32%
Weighted average fair market value per share at grant date	\$0.23	-	\$0.22
Forfeiture rate	11.5%	-	18.5%

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, 2024, and 2023 are as follows:

Opening balance	For the years ended December 31,		
	2025	2024	2023
Opening balance	120,226	37,354	37,354
Granted	404,927	82,872	-
Closing balance	525,153	120,226	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.

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, 2024 and 2023 are as follows:

	For the years ended December 31,			
	2025		2024	
	# of RSUs	FV/Unit	# of RSUs	FV/Unit
RSUs outstanding, start of the year	915,000	\$0.16	-	-
Granted	1,875,000	\$0.20	1,035,000	\$0.14
Common shares issued	(194,206)	(\$0.20)	-	-
Payroll withholdings settled in cash	(110,796)	(\$0.20)	-	-
Forfeited	-	-	(120,000)	(\$0.14)
RSUs outstanding, end of the year	2,484,998	\$0.35	915,000	\$0.16

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For the year ended December 31, 2023

	# of RSUs	FV/Unit
RSUs outstanding, start of the year	348,334	\$0.21
Granted	-	-
Common shares issued	(256,619)	(\$0.26)
Payroll withholdings settled in cash	(91,715)	(\$0.23)
RSUs outstanding, end of the year	-	-

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. 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 year and as at the prior years ended December 31, 2024, and 2023 are as follows:

For the years ended December 31,

	2025		2024	
	# of shares	\$ amount	# of shares	\$ amount
Purchased by employees	132,904	\$ 43,495	234,974	\$ 41,620
Matched by the Company	132,904	43,494	234,973	41,619
Total Common Shares issued	265,808	86,989	469,947	83,239

For the year ended December 31, 2023

	# of shares	\$ amount
Purchased by employees	168,515	\$ 36,246
Matched by the Company	140,994	30,509
Total Common Shares issued	309,509	66,755

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19. Other expenses (income)

	For the years ended December 31,		
	2025	2024	2023
Intellectual property	\$ 16,154	\$ 12,565	\$ 12,864
ARO and related expenses	5,727	(1,741)	2,988
Loss on disposal of assets & lease modifications	7,136	135,455	-
Purchase of remaining SFD® Technology and Rights (Note 8)	231,900	-	-
Total other expense	260,917	146,279	15,852

20. 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 of 15% to NXT's income (loss) before income taxes as follows: (The Company is headquartered in Alberta Canada and therefore uses the 15% federal rate).

	For the years ended December 31,					
	2025	%	2024	%	2023	%
Net loss before income taxes	\$(1,820,183)		\$(9,077,795)		\$(5,451,112)	
Canadian federal income tax rate	15.0%		15.0%		15.0%	
Canadian Income tax recovery at statutory income tax rate	(273,028)	(15)	(1,361,669)	(15)	(817,667)	(15)
Effect of non- deductible expenses and other items:						
Alberta income tax recovery (8%) ¹	(145,615)	(8)	(726,224)	(8)	(436,089)	(8)
Fair value remeasurement of convertible debentures ²	1,246,256	68	-	-	-	-
Stock-based compensation and other expenses ²	170,327	9	92,142	1	58,801	1
Foreign income taxes ³	496,965	27	-	-	-	-
Foreign exchange adjustments	(68,226)	(4)	160,597	2	2,754	0
Change in estimates	(57,879)	(3)	(14,841)	0	(10,060)	0
Expiry of 2015 foreign tax credits ⁴	215,230	12	-	-	-	-
US loss expiry and other	1,193	0	1,530	0	437,330	8
Change in valuation allowance	(1,088,258)	59	1,848,465	(20)	764,931	(14)
Current tax expense	496,965	27	-	-	-	-

1. The Company is headquartered in the province of Alberta where the provincial tax rate is 8%.

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2. The fair value remeasurement of convertible debentures, SBCE, and other expenses are not deductible for calculating taxable income.
3. The Company has earned income in foreign locations of approximately \$1,656,552 with an estimated tax rate 30%.
4. The Company earned foreign tax credits in 2015 which expired in 2025.

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,		
	2025	2024	2023
Net operating losses carried forward:			
Canada and Alberta (expiration dates 2031 to 2044)	\$ 9,451,820	\$11,076,403	\$ 9,594,511
USA (expirations in 2026)	2,106	3,921	5,631
Property & equipment, Lease obligations and Financing	1,962,496	2,008,844	1,959,426
SRED Expenditures	676,518	676,518	676,518
Foreign Tax Credit	451,549	285,772	285,772
	12,544,489	14,051,458	12,521,858
Intellectual property and Right of Use Assets	(2,053,503)	(2,472,214)	(2,791,079)
Less valuation allowance	(10,490,986)	(11,579,244)	(9,730,779)
	-	-	-

21. 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, 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.

Convertible debentures

The conversion feature of the convertible debentures is an embedded derivative. Therefore, they are measured at fair value through profit and loss.

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, and accounts receivable reflects management's assessment of maximum exposure to credit risk. As at December 31, 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 usually

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requiring advance payments before commencing certain contract milestones and when possible, accounts receivable insurance.

Please see Note 4 for an analysis of overdue accounts receivable.

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 December 31, 2025, the Company held net United States dollar assets totaling approximately US\$5,033,705. Accordingly, a hypothetical 10% change in the value of one United States dollar expressed in Canadian dollars as at December 31, 2025, would have had an approximately \$690,775 effect on the unrealized foreign exchange gain or loss for the period.

22. 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,		
	2025	2024	2023
Accounts receivable and contract assets	\$ (4,158,055)	\$ 1,722,665	\$ (1,835,922)
Prepaid expenses	54,194	(221,126)	(17,516)
Deposits	5,762	5,763	3,362
Accounts payable and accrued liabilities	176,473	(438,199)	559,351
Income taxes payable	496,965	-	-
Deferred revenue	(840,768)	805,656	-
	(4,265,429)	1,874,759	(1,290,725)

23. 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. Management has concluded that the Company operates in a single operating and reportable segment.

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24. Revenue

Revenues for the years ended December 31, 2025, 2024, and 2023 were generated solely by the Hydrocarbon Right and four different customers. There were no revenues attributable to the Geothermal Right. Revenue fluctuations are a normal part of SFD® survey system sales and can vary significantly year-over-year.

	2025	2024	2023
Asia	\$ 2,886,268	\$ 644,294	\$ 2,145,716
Africa	13,465,018	-	-
Total International	16,351,286	\$ 644,294	\$ 2,145,716
Canada	-	-	-
	16,351,286	644,294	2,145,716

At December 31, 2025, \$1,046,502 (US\$762,590) of the remaining performance obligations for two customers remain unsatisfied. The Company expects to realize these unsatisfied performance obligations by June 30, 2026.

Revenue generated by one customer in each year was as follows, 82% in 2025, 73% in 2024, and 100% in 2023. The \$1,519,845 overdue accounts receivable for greater than 180 days as at December 31, 2025, is with one customer (Note 4).

25. Other related party transactions

One of the members of NXT's Board of Directors is a partner in a law firm which provides legal advice to NXT. Accounts payable and accrued liabilities include a total of \$41,540 (\$55,455 as at December 31, 2024) payable to this law firm.

Another member of the Board was a board member of Pana Holdings Mauritius, the parent company of Ataraxia until May 1, 2025. Ataraxia held two-year term convertible debentures until May 30, 2025 (Note 11). Accounts payable and accrued liabilities to Ataraxia for accrued interest at December 31, 2025, are \$nil, (\$40,011 or US\$27,814, as at December 31, 2024). The terms of the convertible debentures issued to Ataraxia included an annual interest rate of 10%, paid quarterly in arrears with conversion prices of US\$0.143 and US\$0.24 per common share. The debentures were able to be converted into either common shares or voting preferred shares with an annual dividend rate of 10% paid per quarter for the preferred shares, and they could have been converted on a one-to-one basis into common shares. The convertible debentures were payable on demand.

A third member of the Board is an employee of Mork Capital, which held two-year term convertible debentures until June 26, 2025 (Note 11). Accounts payable and accrued liabilities at December 31, 2025, were \$nil, (December 31, 2024 - \$57,063 or US\$39,669) to Mork Capital for accrued interest. The terms of the convertible debentures issued to Mork Capital included an annual interest rate of 10%, paid quarterly in arrears with conversion prices of US\$0.1808 and US\$0.25 per common share.

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Certain members of the Board, elected to have most of their Board fees payable at December 31, 2023, transferred into convertible debentures (Note 11), for a total of US\$147,000 (CDN\$196,686). US\$102,000 of these convertible debentures were converted into common shares of NXT during 2025. In addition, accounts payable and accrued liabilities at December 31, 2025, include a total of \$2,954 (US\$2,152), (December 31, 2024 - \$4,680 or US\$3,253) to Board members for accrued interest on the convertible debentures. The terms of the convertible debentures issued to members of the Board included an annual interest rate of 10%, paid quarterly in arrears with conversion price of US\$0.25 per common share.

Accounts payable and accrued liabilities include \$291,218 (\$201,218 as at December 31, 2024) for Board fees.

Related party expenses

	For the years ended December 31,		
	2025	2024	2023
Legal Fees	\$ 145,177	\$ 164,373	\$ 129,600
Interest Expense ¹	\$ 367,246	\$ 441,986	\$ 107,792
Board of director fees	\$ 245,000	\$ 182,500	\$ 185,000

1. \$US271,533 for 2025. US\$322,905 for 2024, and US\$79,356 for 2023. Includes interest expense for Ataraxia, Mork Capital and the board of directors.

26. Segment Reporting

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, amended reportable segment disclosure requirements to include disclosure of incremental segment information on an annual and interim basis. Among the disclosure enhancements are new disclosures regarding significant segment expenses that are regularly provided to the chief operating decision-maker and included within each reported measure of segment profit or loss, as well as other segment items bridging segment revenue to each reported measure of segment profit or loss. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, and are applied retrospectively. The Company has adopted ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures."

The Chief Executive Officer of NXT Energy Solutions Inc. serves as the Company's Chief Operating Decision Maker ("CODM"). The Company operates as a single business segment, focused primarily on the SFD® surveys.

As a single-segment entity, the Company complies with ASC 280-10-50-20, reporting segment profit or loss, significant expenses, and other segment items. Given that the Company has one revenue stream

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and limited number of revenue contract, the CODM is focused on SFD[®]-revenue, SFD[®]- related costs and general and administrative expenses.

The Company has adopted ASU 2023-07 for the year ended December 31, 2024. Since the Company's single segment represents the entire entity, certain financial information may be referenced in the primary financial statements instead of duplicated in segment disclosures.

	For the years ended December 31,		
	2025	2024	2023
SFD [®] -related revenue	\$16,351,286	\$ 644,294	\$2,145,716
Expenses:			
Aircraft lease costs	-	91,237	364,013
Aircraft operations	2,831,343	1,524,743	876,804
Survey projects	2,926,798	405,788	1,008,309
SFD [®] -related costs, net	5,758,141	2,021,768	2,249,126
Salaries, benefits and consulting charges	1,636,261	1,791,482	1,512,150
Board and professional fees, public company costs	899,523	899,797	753,468
Premises and administrative overhead	779,575	782,218	822,019
Business development	311,086	303,546	91,235
Stock-based compensation	702,880	268,735	241,271
Total general and administrative expenses	4,329,325	4,045,778	3,420,143
Amortization	1,920,733	1,887,013	1,759,473
Interest expense, net	516,775	750,611	160,262
Foreign exchange (gain) loss	(32,923)	574,106	(8,028)
Loss (gain) on fair value remeasurement	5,418,502	296,534	-
Purchase of SFD [®] technology & other expenses	260,917	146,279	15,852
Segment net loss before income taxes	(1,820,184)	(9,077,795)	(5,451,112)
Income tax expense	496,965	-	-
Consolidated net loss	(2,317,149)	(9,077,795)	(5,451,112)