



NextSource Materials Inc.

**Annual Information Form
for the year ended June 30, 2023**

September 28, 2023

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INTRODUCTION

This Annual Information Form (the “AIF”) of NextSource Materials Inc. (“NextSource” or the “Company”) should be read in conjunction with Company’s management’s discussion and analysis for the year ended June 30, 2023 and 2022 (the “MD&A”) and the Company’s audited consolidated annual financial statements for the years ended June 30, 2023 and 2022 (the “Financial Statements”), each as filed under the Company’s SEDAR+ profile at www.sedarplus.ca. All information disclosed in this AIF is presented as of September 28, 2023, unless otherwise stated.

The Financial Statements, the MD&A, and this AIF are presented in United States dollars (“USDS” or “\$”) and all units of measurement are expressed using the metric system, unless otherwise stated. Additionally, certain information in this AIF is presented in Canadian dollars (“CAD\$” or “C\$”).

All references herein to “NextSource” or the “Company” includes NextSource Materials Inc. and all of its subsidiaries, unless the context requires otherwise.

Additional information relating to the Company is available on the SEDAR+ website at www.sedarplus.ca and on the United States Securities and Exchange Commission’s (the “SEC”) website at www.sec.gov.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This AIF contains “forward-looking information” within the meaning of applicable Canadian securities legislation and “forward-looking statements” within the meaning of applicable United States securities laws (collectively referred to herein as “**forward-looking information**”). Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans,” “expects,” or “does not expect,” “is expected,” “budget,” “scheduled,” “goal,” “estimates,” “forecasts,” “intends,” “anticipates,” or “does not anticipate,” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might,” or “will be taken,” “occur,” or “be achieved”.

Forward-looking information includes, but is not limited to, information and statements with respect to the intended use of proceeds of the Offering (as defined herein); certain expectations, development plans, and production estimates in respect of the Molo Graphite Mine; certain expectations, development plans, and estimates in respect of the Mauritius BAF (as defined herein) and additional BAFs (as defined herein) located in other key geographical locations, and strategies and project evaluation measures relating thereto; the Company’s intention to enter into a new long-term industrial lease for the New Mauritius BAF Property (as defined herein); the potential completion of a New Mauritius BAF Technical Study (as defined herein); the potential impact of the Company’s BAF Partnership (as defined herein); potential construction of an AG (as defined herein) production facility; a potential agreement with POSCO (as defined herein); supply, demand and pricing outlook in the graphite and EV (as defined herein) market; potential completion of a Feasibility Study (as defined herein); and the Company’s business objectives and targeted milestones (and timing thereof).

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such factors relate to, among others, BAF technical studies, emerging markets; development, commissioning, and operation of the Molo Graphite Mine; development, commissioning, and operation of the BAFs; construction and start-up of new mines and industrial plants; geopolitical risk and conflict; additional financings; the Company’s development and exploration projects are in the African country of Madagascar and are subject to country political and regulatory risks; the Company has a significant shareholder; economic dependence on the Molo Graphite Mine; permits and licenses are necessary to begin operations of Phase 1 of the Molo Graphite Mine; additional permits and licenses are necessary to complete the development of Phase 2 of the Molo Graphite Mine; fluctuations in the market price of graphite and other metals may adversely affect the value of the Company’s securities, revenue projections and the ability of the Company to develop Phase 2 of the Molo Graphite Mine; estimates of mineral resources may not be realized; the Company has a limited operating history and expects to incur operating losses for the foreseeable future; due to the speculative nature of mineral property exploration, there is substantial risk that the Company’s assets will not go into commercial production and the business will fail; mining companies are increasingly required to consider and provide benefits to the communities and countries in which they operate, and are subject to extensive environmental, health and safety laws and regulations; because of the inherent dangers involved in mining operations and mineral exploration, there is a risk that the Company may incur liability or damages as the Company conducts business; should the Company lose the services of key executives, the Company’s financial condition and proposed expansion may be negatively impacted; access to the Company’s properties, mine operations, and export of product may be restricted by inclement weather or lack of proper infrastructure; climate change and related regulatory responses may impact the Company’s business; compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for management; tax risks; the Company may experience losses due to foreign exchange translations; the Company’s business is subject to anti-corruption and anti-bribery laws, a breach or violation of which could lead to civil and criminal fines and penalties, loss of licenses or permits and reputational harm; the Company is exposed to general economic conditions, which could have a material adverse impact on its business, operating results and financial condition; the market price for the common shares of the Company (the “**Common Shares**”) is particularly volatile given the Company’s status as a company with a small public float, limited operating history and lack of profits which could lead to wide fluctuations in the market price for the Common Shares; the Company does not intend to pay dividends in the foreseeable future; and other risks involved in the mineral

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exploration and development industry and risks specific to the Company, including the risk factors identified elsewhere in this AIF and in the MD&A under “*Risk Factors*” and in other continuous disclosure documents of the Company filed under the Company’s SEDAR+ profile at www.sedarplus.ca.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management and/or “qualified persons” (as such term is defined under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”)) made in light of their experience and their perception of trends, current conditions and expected developments, as well as other factors that management and/or qualified persons believe to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Although the Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. In addition to the assumptions discussed in this AIF, the material assumptions upon which such forward-looking information is based include, among others, that: the Company will be successful in its financing activities, the demand for graphite will develop as anticipated; graphite prices will remain at or attain levels that would make the Molo Graphite Mine and BAFs economic; that any proposed operating and capital plans will not be disrupted by operational issues, title issues, loss of permits, environmental concerns, power supply, labour disturbances, financing requirements or adverse weather conditions; the Company will continue to have the ability to attract and retain skilled staff; and there are no material unanticipated variations in the cost of energy or supplies. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information contained in this AIF is presented for the purposes of assisting investors in understanding the Company’s expected financial and operating performance and the Company’s plans and objectives and may not be appropriate for other purposes.

In respect of any forward-looking information or statements relating to the Mauritius BAF or other BAFs, including but not limited to annual sales and operating cash flows, such figures, if any, have been included herein for the purposes of providing information on the project evaluation measures of the BAFs and should not be viewed as financial outlooks or guidance for the Company.

The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

This AIF includes market, industry and economic data and projections obtained from various publicly available sources and other sources believed by the Company to be true. Although the Company believes these to be reliable, it has not independently verified the information from third party sources, or analyzed or verified the underlying reports relied upon or referred to by the third parties, or ascertained the underlying economic and other assumptions relied upon by the third parties. The Company believes that the market, industry and economic data and projections are accurate and that the estimates and assumptions are reasonable, but there can be no assurance as to their accuracy or completeness. The accuracy and completeness of the market, industry and economic data and projections in this AIF are not guaranteed and the Company does not make any representation as to the accuracy or completeness of such information. For the avoidance of doubt, nothing stated in this paragraph operates to relieve the Company from liability for any misrepresentation contained in this AIF under applicable Canadian securities laws.

The forward-looking information contained in this AIF and documents incorporated by reference herein are expressly qualified by the foregoing cautionary statement.

CORPORATE STRUCTURE

Name, Address and Incorporation

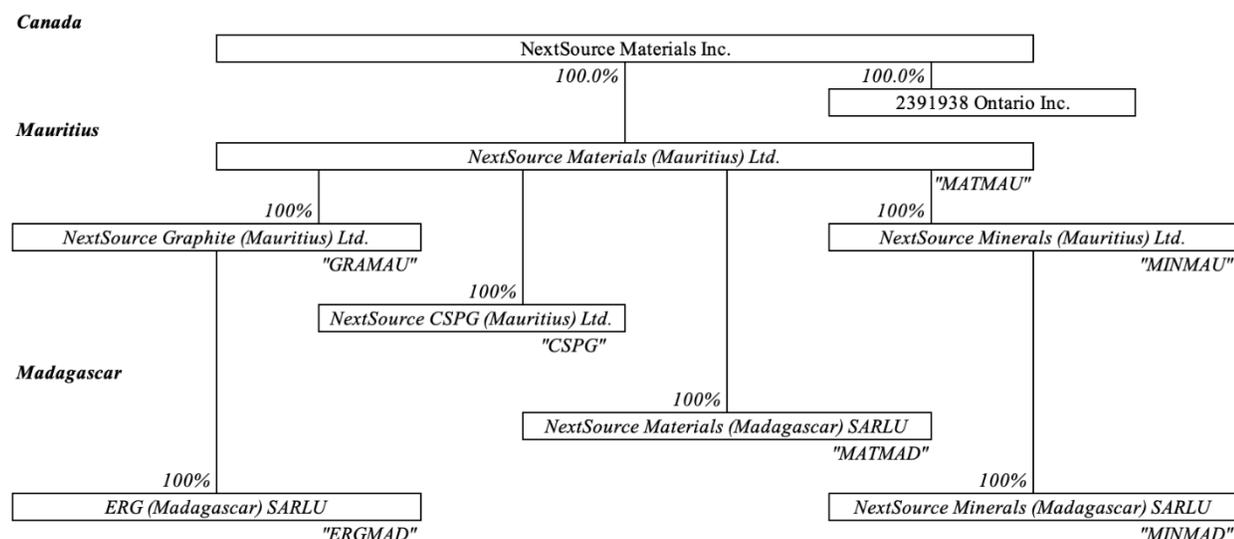
NextSource Materials Inc. was continued under the *Canada Business Corporations Act* from the State of Minnesota to Canada on December 27, 2017. The Company’s head and registered office is located at 130 King Street West, Exchange Tower, Suite 1940, Toronto, Ontario M5X 2A2. The Company’s website is www.nextsourcematerials.com.

The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “**NEXT**” and on the OTCQB under the symbol “**NSRCF**”. The Company is a reporting issuer in each of the provinces of Canada, except Quebec.

Intercorporate Relationships

The following figure displays the corporate structure of the Company and its subsidiaries:

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Note: In Madagascar and Mauritius, a written resolution by the sole shareholder of that entity is sufficient to appoint/remove directors and officers of each of the entities in the Company's corporate structure that are located in Madagascar and Mauritius. There are no government regulations preventing the appointment/removal of directors and officers and government approvals of the underlying shareholder's resolution are not required in such jurisdictions. Therefore, the Company has sole control over the appointment/removal of any directors or officers of the entities in the Company's corporate structure that are located in Madagascar and Mauritius.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

The following summary describes developments relating to the Company's business over the last three financial years, including acquisitions, dispositions, financing transactions, changes to management and the Board, and certain other events that influenced the general development of the business of the Company during such period.

Year Ended June 30, 2021

On July 2, 2020, the Company completed a non-brokered private placement of 6,157,887 units of the Company (each, a "2020 Unit") at a price of CAD\$0.325 per 2020 Unit for gross proceeds of USD\$1,476,571 (CAD\$2,001,310). Each 2020 Unit consisted of one Common Share and one-half of one Common Share purchase warrant, with each full Common Share purchase warrant entitling the holder to acquire one additional Common Share at a price of CAD\$0.65 per Common Share for a period of 24 months.

On July 20, 2020, the Company announced that Brett Whalen was appointed a director of the Company

On August 24, 2020, the Company announced that Brett Whalen was appointed Chair of the board of directors of the Company (the "Board").

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue Resources Limited ("Vision Blue") to provide a financing package (the "Financing Package") for total gross proceeds of USD\$29.5M for construction of Phase 1 of the Molo Graphite Mine, which included the Initial Private Placement, the Second Private Placement, and the Royalty Financing (each as defined and described further below). In connection with the Financing Package, Vision Blue was granted: (i) certain appointment rights for the Board; (ii) a right to participate in future equity financings on the same terms as such financing to maintain its ownership percentage in the Company, subject to Vision Blue holding at least 10% of the issued and outstanding Common Shares; and (iii) a right of first refusal to finance the Phase 2 expansion of the Molo Graphite Mine.

On March 15, 2021, in connection with the Financing Package, the Company completed an initial private placement with Vision Blue (the "Initial Private Placement") consisting of 12,000,000 Common Shares at a price of CAD\$0.65 per Common Share for total gross proceeds of USD\$6,000,000 (CAD\$7,800,000). The Company also announced the appointment of Sir Mick Davis as Chair of the Board.

On April 12, 2021, the Company announced a binding partnership agreement for the construction of battery anode facilities ("BAFs") capable of converting flake graphite into spheronized, purified graphite ("SPG") and coated, spheronized, purified graphite ("CSPG") using a proven processing technology.

On May 19, 2021, in connection with the Financing Package, the Company completed a second private placement with Vision Blue (the "Second Private Placement") consisting of 23,214,286 units of the Company (the "2021 Units") at a price of CAD\$0.65 per 2021 Unit for total gross proceeds of USD\$12,500,000 (CAD\$15,089,286). Each 2021 Unit consisted of one Common Share and one

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Common Share purchase warrant (the “**VB Warrants**”), with each VB Warrant entitling Vision Blue to acquire one additional Common Share at a price of CAD\$1.00 per Common Share for a period of 24 months.

On May 20, 2021, the Company completed a share consolidation on the basis of one (1) post-consolidation Common Share for every ten (10) pre-consolidation Common Shares.

On May 25, 2021, the Company announced that following a multi-year verification process, the Company and *thyssenkrupp* had entered into a long-term partnership and signed an offtake agreement to secure SuperFlake® graphite concentrate for their refractories/foundries, expandable graphite (graphite foil) and battery anode production businesses.

On June 28, 2021, the Company received the initial Vision Blue royalty funding of USD\$8.0 million, less a USD\$1.5 million royalty financing fee, for a net payment of USD\$6.5 million (the “**Royalty Financing**”). In connection with the Royalty Financing, beginning on the biannual period ending June 30, 2023, the Company will pay to Vision Blue the greater of: (i) \$825,000 (the “**Minimum Repayment**”) or (ii) 3% of the gross sales revenues from graphite concentrate sales (the “**GSR**”). Once Vision Blue has received cumulative royalty payments of \$16.5 million, the Minimum Repayment will cease, and the royalty will be based on the GSR. NextSource will have the option at any time to reduce the GSR to 2.25% upon payment to Vision Blue of \$20 million. The Company may delay each of the biannual Minimum Repayments by 12 months, which will become subject to accrued interest of 15% per annum. Vision Blue also received a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide (“**V₂O₅**”) from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅.

Year Ended June 30, 2022

On July 14, 2021, the Company announced the appointment of Ian Pearce to the Board and the resignation of David McNeely from the Board.

On April 27, 2022, the Company filed a technical report entitled “Molo Phase 2 Preliminary Economic Assessment, National Instrument 43-101 Technical Report on the Molo Graphite Project located near the village of Fotadrevo, in the Province of Toliara, Madagascar” with an effective date of April 27, 2022 (the “**PEA**”) in respect of the Molo Graphite Mine that considered an enhanced Phase 2 expansion consisting of a stand-alone processing plant with a production capacity of 150,000 tonnes per annum (“**tpa**”) of graphite concentrate over a 26-year life of mine.

On April 28, 2022, the Company announced the initiation of a feasibility study (the “**Feasibility Study**”) and front-end engineering design (“**FEED**”) study in respect of the Molo Graphite Mine for the proposed Phase 2 expansion of 150,000 tpa of graphite concentrate that was considered in the PEA.

Year Ended June 30, 2023

On August 17, 2022, the Company received an additional USD\$3.0 million from Vision Blue as part of the Royalty Financing.

On October 25, 2022, the Company announced that Vision Blue had exercised 23,214,286 VB Warrants for aggregate gross proceeds of approximately USD\$16.9 million and the appointment of Danniell Stokes as Vice President, Special Projects of the Company, and Wilhelm Reitz as Mine Manager of the Molo Graphite Mine.

On February 28, 2023, the Company announced its strategy for the staged buildout of BAFs in key geographic locations, starting with the Mauritius BAF.

On March 23, 2023, the Company announced the initiation of commissioning of the Molo Graphite Mine and the appointment of Dr. Markus Reichardt as Vice President, Sustainability of the Company.

On June 22, 2023, the Company announced the first production of SuperFlake® graphite concentrate at the Molo Graphite Mine.

Developments Since June 30, 2023

On July 26, 2023, the Company announced certain corrective disclosures in respect to a review by the Ontario Securities Commission in connection with the Offering. The PEA incorrectly included the previously delineated mineral reserve estimate for Phase 1 of the Molo Graphite Mine into the preliminary economic assessment for Phase 2 expansion of the Molo Graphite Mine, in contravention of NI 43-101. To correct such error, the Company retracted the mineral reserve estimate from the PEA and from any other continuous disclosure documents filed by the Company. Further, the Company refiled the annual management's discussion and analysis for the years ended June 30, 2022 and 2021 as well as the interim management's discussion and analysis for the period ended March 31, 2023, to remove the references to such mineral reserve statements, and additionally to adjust certain disclosures and remove certain non-IFRS measures previously included relating to the Mauritius BAF. The Company does not consider the mineral reserve retraction to be material to the Company and the mineral resource estimate for the Molo Graphite Mine is not affected.

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On August 1, 2023, the Company completed an overnight marketed public offering of 30,303,500 Common Shares at a price of C\$1.65 per Common Share for gross proceeds of C\$50,000,775 (the “**Offering**”). The Offering was conducted through a syndicate of underwriters co-led by Cormark Securities Inc. and BMO Capital Markets, and including Clarus Securities Inc. (collectively, the “**Underwriters**”), pursuant to an underwriting agreement dated July 13, 2023 entered into among the Company and the Underwriters. Vision Blue purchased 14,151,500 Shares under the Offering to maintain its pro rata ownership in the Company. The net proceeds of the Offering were intended to be used by the Company to advance and complete construction of the Mauritius BAF and other matters as to be described in the short form prospectus dated July 27, 2023 and filed by the Company in connection with the Offering.

On September 5, 2023, the Company announced the signing of a non-binding memorandum of understanding (the “**MoU**”) with South Korea’s POSCO International (“**POSCO**”) for strategic collaboration that could involve an equity investment into the Company as well as a long-term offtake agreement for SPG and the Company’s other graphite products. The MoU envisages the potential for a definitive offtake agreement for 30,000 tpa of SuperFlake® graphite concentrate and 10,000 to 15,000 tpa of SPG over a ten year period, to be supplied to POSCO Future M, a POSCO Group subsidiary that is responsible for EV battery businesses and supplies all of South Korea’s major battery cell manufacturers with finished cathode and anode materials. Prior to executing a definitive agreement, certain customary technical and economic studies will need to be completed.

On September 28, 2023, the Company announced certain updates in respect of the development of the Mauritius BAF, including the Company’s termination of the original long-term industrial lease entered into in respect of a property upon which the Mauritius BAF was originally intended to be constructed. Additionally, in connection therewith, the Company announced that it is in advanced discussions in connection with an alternative location for the Mauritius BAF in the vicinity of the international freeport of Port Louis, Mauritius (the “**New Mauritius BAF Property**”) upon which the Mauritius BAF may be constructed and in respect of which the Company intends to enter into a new long-term industrial lease on similar commercial terms as the original long-term industrial lease. The Company also announced that while the Initial Mauritius BAF Technical Study (as defined herein) would continue to be valuable in completing a similar technical study relating to the construction and operation of the Mauritius BAF on the New Mauritius BAF Property (the “**New Mauritius BAF Technical Study**”), the previously announced results of the Initial Mauritius BAF Technical Study relating to project evaluation measures, including the construction costs, timing of construction, sales potential, operating cash flows, NPV, IRR and other metrics relating to the Mauritius BAF may not be achieved and should not be relied upon. The Company announced that it would provide an update in respect of project evaluation measures once any New Mauritius BAF Technical Study has been completed.

Significant Acquisitions

The Company did not complete any significant acquisitions during the year ended June 30, 2023.

DESCRIPTION OF THE BUSINESS

General

The Company is intent on becoming a vertically integrated global supplier of battery materials through the mining and value-added processing of graphite and other minerals. The Company’s principal business is the development of the Molo Graphite Mine in Madagascar and has announced plans to build the first of several BAFs in Mauritius.

Mineral Properties

Molo Graphite Mine, Province of Toliara, Madagascar

The Company is developing the Molo Graphite Mine located near the town of Fotadrevo in the Province of Toliara, Madagascar, which is the Company’s sole material mineral property.

Phase 1 of the Molo Graphite Mine was designed with a nameplate production capacity of 17,000 tpa of SuperFlake® graphite concentrate. On March 23, 2023, the Company announced the initiation of commissioning. On June 22, 2023, the Company announced production of the first tonne of SuperFlake® graphite concentrate as part of the commissioning and optimization of the processing plant. The operations team is now focused on ramping up the plant over the next few months to the nameplate production capacity of 17,000 tpa of flake graphite concentrate. The Company is not providing any forward guidance on production volumes, revenues, or operating costs for Phase 1 of the Molo Graphite Mine. Mine commissioning has progressed from running and testing processes using run-of-mine material, through identifying and rectifying construction issues, to resolving bottlenecks and underperforming equipment during a planned temporary shutdown that was completed at the beginning of August. Although the Molo Graphite Mine is producing flake graphite concentrate, the optimization phase of the commissioning process is still in progress due to certain bottlenecks that remain unresolved that are preventing a ramp-up to nameplate production capacity. As a result, a complete third-party assessment of the processing plant is currently in progress by mechanical engineering and operations specialists and by metallurgical and process design engineers. This assessment will be completed in early October 2023 and will inform the next optimization activities as well as a revised ramp-up schedule. As a result, the Company will continue to capitalize mine development costs until the declaration of commercial production, which will occur when the production capacity approaches nameplate production capacity.

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Notwithstanding a slower than expected ramp-up of the Molo Graphite Mine, flake graphite concentrate is being stockpiled at the mine and at a third-party warehouse facility at the Port of Tulear. The Company has also been shipping flake graphite qualifying material produced at the mine to prospective customers, and is preparing to ship 20 tonnes to our BAF Technology Partner for testing and conversion into CSPG.

No commercial shipments have been completed to-date. The first commercial shipment and sale of flake graphite concentrate under existing offtake agreements is expected to occur within the next quarter and will be dependent on accumulating sufficient shipping volumes at the port and aligning with international shipping schedules.

The Company is progressing with the Feasibility Study for a proposed Phase 2 Expansion of the Molo Graphite Mine, which is nearing completion, and the highlights are expected to be released in October 2023. Prior to making a Phase 2 construction decision, the Company will consider the Feasibility Study results as well as Phase 1 operational results. Construction of the Phase 2 expansion is subject to the Feasibility Study confirming positive project economics, a decision on whether to proceed with the expansion, a decision on the capacity of the expansion, and subsequently obtaining sufficient funding for construction costs and working capital.

For additional information with respect to the Molo Graphite Mine, readers are referred to the MD&A as well as Schedule “A” hereto, which is the summary section from the PEA reproduced in its entirety (except in respect of the previously delineated mineral reserve estimates, which have been retracted by the Company). The PEA was prepared by Johann de Bruin, Pr. Eng., Oliver Peters, P. Eng., Sivanesan (Desmond) Subramani, Pr. Sci. Nat., Philip John Hancox, Pr. Sci. Nat., Pono Mogoera, Pr. Eng., Schalk Pienaar, Pr. Eng., Hercules Albertus Smit, Pr. Eng., and Albertus Wynand Christoffel (Alkie) Marais, MSc. Geohydrology, each of whom is a “qualified person” for the purposes of NI 43-101 (collectively, the “**PEA QPs**”). As noted above, the PEA incorrectly included the previously delineated mineral reserve estimate for Phase 1 of the Molo Graphite Mine into the preliminary economic assessment for Phase 2 expansion of the Molo Graphite Mine, in contravention of NI 43-101. To correct such error, the Company retracted the mineral reserve estimate from the PEA and from any other continuous disclosure documents filed by the Company. The Company does not consider the mineral reserve retraction to be material to the Company and the mineral resource estimate for the Molo Graphite Mine is not affected. See also “*Risk Factors*” in this the AIF and the MD&A.

Green Giant Vanadium Project, Province of Toliara, Madagascar

The Company holds a 100% interest in the Green Giant Vanadium Project, which is located 15 kilometres from the Molo Graphite Mine in the Province of Toliara, Madagascar and hosts a large sedimentary-hosted vanadium deposit. Since early 2012, the Company has focused its efforts on the Molo Graphite Mine and as such only limited work has been completed on the Green Giant Vanadium Project since that time. Currently, there are no plans for exploration or development and the Green Giant Vanadium Project is not considered to be material to the Company.

Sagar Project, Labrador Trough Region, Quebec, Canada

The Company holds a 100% interest in the Sagar Project, which is located in the Labrador Trough Region in northern Quebec, Canada. Since early 2012, the Company has focused its efforts on the Molo Graphite Mine and as such only limited work has been completed on the Sagar Project since that time. Currently, there are no plans for exploration or development and the Sagar Project is not considered to be material to the Company.

Battery Anode Facilities

The Company announced on February 28, 2023 its strategy for the staged buildout of BAFs in key jurisdictions starting with Mauritius. The BAFs are value-added processing facilities that are capable of converting flake graphite into SPG and CSPG, which forms the anode material that is assembled along with cathode material into lithium-ion batteries used in electric vehicle (“**EV**”) applications. The BAFs are not considered “mineral projects” as defined in NI 43-101, and technical studies previously completed or to be completed by the Company are not and will not be “technical reports” for the purposes of NI 43-101 but rather are preliminary economic and technical studies relating to the design, construction and operation of the Mauritius BAF and potential other BAFs. See “*Cautionary Statement Regarding Forward-Looking Information*” and “*Risk Factors*” in this AIF. In respect of any forward-looking information or statements relating to the Mauritius BAF or other BAFs, including but not limited to annual sales and operating cash flows, such figures have been included herein for the purposes of providing information on the project evaluation measures of the BAFs and should not be viewed as financial outlooks or guidance for the Company.

The highlights of the BAF strategy are as follows:

- Plans to construct multiple BAFs in key jurisdictions capable of producing CSPG.
- The BAFs will leverage the Company’s exclusive partnership outside of the People’s Republic of China with a leading value-added graphite processor and a CSPG sales and marketing company (the “**Partnership**”) for use of proprietary and well-established flake graphite processing technology and international CSPG sales and marketing relationships.

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- The first BAF will be constructed in Mauritius (the “**Mauritius BAF**”), which was selected due to its proximity to the Molo Graphite Mine in Madagascar and its strategic position along shipping routes from Europe to Asia:
 - The Company intends to sign a new long-term industrial lease to build the Mauritius BAF on the New Mauritius BAF Property in the vicinity of the international freeport of Port Louis, Mauritius. The Company has completed preliminary due diligence in relation to the New Mauritius BAF Property and expects that the alternative location will reduce ground shipping costs, address stakeholder feedback and improve the project’s social and environmental standards. Like the original location, the New Mauritius BAF Property has the capacity to house an initial production line with a production capacity of 3,600 tpa of CSPG with space to expand capacity with the construction of additional production lines as demand increases.
 - An initial technical study for the Mauritius BAF presented certain economic results and project evaluation measures for the Mauritius BAF, as more particularly disclosed in the short form prospectus dated July 27, 2023 and filed by the Company in connection with the Offering (the “**Initial Mauritius BAF Technical Study**”). The Mauritius BAF is not considered a “mineral project” as defined in NI 43-101, and the Initial Mauritius BAF Technical Study was not a “technical report” for the purposes of NI 43-101 but rather a preliminary economic and technical study relating to the design, construction, and operation of the Mauritius BAF. While the Initial Mauritius BAF Technical Study continues to be valuable in completing the contemplated New Mauritius BAF Technical Study, the previously announced results of the Initial Mauritius BAF Technical Study relating to project evaluation measures, including the construction costs, timing of construction, sales potential, operating cash flows, NPV, IRR and other metrics relating the Mauritius BAF may not be achieved and should not be relied upon. The Company will provide an update in respect of project evaluation measures once any New Mauritius BAF Technical Study has been completed.
 - Construction of the Mauritius BAF is subject to completion of the front-end engineering and design (“**FEED**”) study and environmental impact assessment (“**EIA**”) process, obtaining all necessary permits, and sufficient funding for construction costs and working capital.
 - Construction process is expected to take approximately twelve (12) months, starting with the ordering of long lead items in October 2023.
- Evaluation of the potential construction of a BAF in North America (a “**North America BAF**”) and initiation of the application process to access various financial loans and grants offered under Canadian federal and provincial programs and under the U.S. Inflation Reduction Act (the “**IRA**”).
- Evaluation of the potential construction of a BAF in the United Kingdom (a “**UK BAF**”) and initiation of the application process to access various financial loans and grants offered under the UK Government Automotive Transformation Fund.
- Evaluation of the potential construction of a BAF in the European Union (a “**European BAF**”).
- Evaluation and potential construction of an artificial graphite (“**AG**”) production facility, which would enable the Company to supply AG anode material.
- Evaluation of a potential agreement with POSCO for a strategic collaboration that could involve an equity investment into the Company as well as a long-term offtake agreement for SPG and the Company’s other graphite products.

BAF Technology Partnership

The BAFs will leverage the Company’s exclusive Partnership outside of the People's Republic of China with a leading value-added graphite processor producing SPG and CSPG (the “**Technology Partner**”) and a sales and marketing company (the “**Sales Partner**”) for use of the Technology Partner’s proprietary and well-established flake graphite processing technology and the Sales Partner’s international SPG and CSPG sales and marketing relationships.

The Technology Partner operates flake graphite processing facilities that produce SPG for leading Japanese lithium-ion battery manufacturers that are part of the supply chains of major OEMs, such as Tesla and Toyota, and operates graphite processing facilities that produce CSPG. The Technology Partner, in return for a 2% technology licensing royalty and milestone payments, will share their proprietary intellectual property by designing and developing the BAF plant process flowsheets, sourcing all spheronizing, purification and coating process equipment, and providing all necessary training and operational know-how. The Technology Partner received a \$0.5 million milestone payment in November 2021 and will receive a further \$0.25 million within 10 days of the Company announcing the commencement of construction of the first BAF plant and \$0.25 million within 10 days of the declaration of commercial production.

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The Sales Partner is the Technology Partner's sales and marketing partner, and in return for a 3% sales commission, will leverage these relationships as the exclusive agent for sales, marketing, and trading of all SPG and CSPG produced in the BAF plants.

The spherodization, purification and coating of flake graphite to produce SPG and CSPG are highly technical processes that rely on proprietary intellectual property that have been developed and optimized over many years. The Partnership provides a significant first-mover advantage over other competitors that are developing their own graphite conversion intellectual property and need to qualify their material for use in the supply chains of major EV companies ("OEMs").

Mauritius BAF

Mauritius was selected as the optimal site to develop the first BAF plant due to its proximity to the Molo Graphite Mine in Madagascar and its strategic position as a major hub along shipping routes to Asian markets. As such, the Mauritius BAF will seek to leverage low transport costs into Asian markets by targeting Japanese and South Korean OEM customers, as well as produce qualification material for global OEM customers.

Mauritius was also selected as it features modern infrastructure, an educated workforce, and a highly supportive business environment. The government of Mauritius also offers favourable tax incentives for import/export-focused industries such as freeport zones and attractive corporate income tax rates.

On February 28, 2023, an original long-term industrial lease was signed to build the Mauritius BAF in a new industrial facility within a freeport-classified industrial park that is in proximity to the international container port of Port Louis, Mauritius. On September 28, 2023, the Company announced the termination of such original long-term industrial lease and the Company announced that it is in advanced discussions in connection with an alternative location for the Mauritius BAF in the vicinity of the international freeport of Port Louis, Mauritius, being the New Mauritius BAF Property, upon which the Mauritius BAF may be constructed and in respect of which the Company intends to enter into a new long-term industrial lease on similar commercial terms as the original long-term industrial lease. Once the lease for the New Mauritius BAF Property is finalized, the Company will then complete and submit an EIA report in accordance with the prescribed approval process in Mauritius.

The FEED and EIA permitting are currently in progress.

The FEED study is approximately 75% complete and will be adapted for the New Mauritius BAF Property. Concept design is complete and process design and site layouts are nearing completion with the 3D modelling under preparation and the procurement schedules for primary process elements already prepared. Electrical design and water treatment plant design are in progress, capturing an improved process and effluent designs to reduce environmental impacts. The civil works package is under preparation for issuance. The major outstanding elements of the FEED input are the approval of the design package for the wastewater treatment plant ("WTP"), the WTP shelter structure, and the connection to the wastewater utility network.

The EIA permitting process in Mauritius follows a prescribed approval process. The EIA permit application is in the process of incorporating the improved process and effluent designs and will be adapted for the New Mauritius BAF Property. The EIA report submission is expected in October 2023.

Other permits are dependent on the EIA permit being obtained first. Following the approval of the EIA, the Company must submit a Building & Land Use Permit application for the change of use of the premises and will be required to file applications for Utilities and Fire Department clearance, as well as OSHA clearance and other conditional requirements that will be listed in the EIA certificate conditions.

The principal uncertainties associated with the FEED study, EIA, and permit approval process are:

- Timeline impacts due to possible 3rd party (public) comments within the EIA approval process. A specialist communications team is managing this risk.
- International shipping / handling / transportation and various logistical delays. The Company has hired a specialist logistics consultant to advise on how best to mitigate any foreseeable risks.
- Political change (elections) happening during the permitting process and the delays due to closures. The Company is managing the stakeholders and applying as early as possible to avoid expected delays in 2024.
- Procurement times/costs due to increased electrical demand (HV switchgear). The Company is liaising with the electrical utility company to build up a cost recuperation mechanism for approval by the Government under a Premium Investor Certificate application.

The length of time to obtain EIA approval is typically 5 to 6 months. Based on the progress noted above, the remaining items to be

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completed, and communications between the Company and the governmental authorities in Mauritius, the Company expects to receive EIA approval and the permits that are necessary to initiate construction in Q1 2024.

The Company is in active discussions with strategic offtake partners and debt and equity financiers that have expressed interest in funding the construction of the Mauritius BAF. Construction of the Mauritius BAF is subject to completion of the FEED study and EIA process, obtaining all necessary permits. Once initiated, the construction process is expected to take approximately twelve (12) months, which is expected to start with the ordering of long lead items in October 2023 and continues with the installation of process equipment starting in Q1 2024. Based on the foregoing, the Company anticipates completion of construction and commissioning in Q4 2024.

While the Company believes that synergies exist by developing an integrated business model, the BAF plants will be capable of processing flake graphite obtained from third parties and will not be reliant on flake graphite produced from the Molo Graphite Mine. As such, the Molo Graphite Mine and the BAF plants should be considered independent from each other with regards to their economic viability. Notwithstanding, as justified by market and operational conditions, the Company will prioritize the purchase of small flake graphite from the Molo Graphite Mine as feedstock for the Mauritius BAF.

North America BAF Project

The Company is evaluating the potential construction of a North America BAF and has initiated the application process to access various financial loans and grants offered under Canadian federal and provincial programs and under the IRA. The IRA provides for US\$370 billion in climate and clean energy incentives and tax credits for EVs assembled in North America that meet strict critical material requirements. Critical minerals used in EV batteries must meet a gradually increasing percentage of components that have been extracted, processed, or recycled in North America (or in countries that have free trade agreements with the U.S.), starting at 40% in 2023 and increasing by 10% each year, up to 80% in 2026. Starting in 2025, EVs will not qualify for the tax credit if the critical minerals were extracted, processed, or recycled by a “foreign entity of concern” (i.e. China). The Company is completing an initial economic and site selection evaluation process that identifies prospective jurisdictions, which includes locations in the USA and Canada, that offer strategic positions along coastal and internal transport corridors, low power costs, skilled labour pools, and attractive regional infrastructure and tax incentives. Advancement of a North American BAF will require project development expenditures consisting of economic evaluations of constructing a North American-adapted BAF at several prospective sites, final site selection, grant application process, environmental permitting and engineering specific to the selected site prior to making a final investment decision.

UK BAF Project

The Company is evaluating the potential construction of a UK BAF and has initiated the application process to access various financial loans and grants offered under the UK Government Automotive Transformation Fund. The Company has completed an initial economic and site selection evaluation process that identified several prospective jurisdictions that offers a strategic position along coastal and internal transport corridors, skilled labour pool, and attractive regional infrastructure and tax incentives. Advancement of a UK BAF will require project development expenditures consisting of economic evaluations of constructing a UK-adapted BAF at prospective sites, final site selection, grant application process, environmental permitting and engineering specific to the selected site prior to making a final investment decision.

European BAF Project

The Company is evaluating the potential construction of a European BAF for the supply of CSPG into the European Union (“EU”) market. Advancement of a European BAF project will require project development expenditures consisting of an initial economic evaluation for the construction of a European-adapted BAF at several prospective sites. If the economic evaluation supports further development of a European BAF, the Company will require additional funding to complete final site selection, grant application process, environmental permitting and engineering specific to the selected site prior to making a final investment decision.

Artificial Graphite Production Facility

The Company is prioritizing the evaluation and potential construction of an AG production facility, which would enable the Company to supply AG anode material. Ongoing discussions with OEMs have identified significant demand for non-Chinese AG that will be required for existing battery chemistries following the implementation of IRA critical mineral restrictions. Consequently, the Company is pursuing collaboration agreements for the potential construction of an AG production facility in a suitable North American jurisdiction. Advancement of the AG production facility will now require project development expenditures consisting of an initial economic evaluation for the construction of an AG production facility adapted to prospective jurisdictions in North America. If the economic evaluation supports further development, the Company will require additional funding to complete final site selection, grant application process, environmental permitting and engineering specific to the selected site prior to making a final investment decision.

Specialized Skill and Knowledge

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In order for the Company to perform its business effectively, the following specialized skills are required: qualified persons, engineers, legal advisors and financial experts and experienced investor relations and marketing personnel. The Company employs personnel with many of these skills. Professional, administrative, mine development and mineral exploration and evaluation services are provided by contractors, including by corporations controlled by certain officers and directors of the Company.

Competitive Conditions

The mining industry is intensely competitive in all of its phases. The Company competes with a number of other entities for resources, including qualified people. As a result of this competition, some of which is with companies with greater financial resources than the Company, it may be unable to acquire the necessary qualified people. The Company also competes for funding with other public resource companies, many of whom have greater financial resources and/or more advanced properties and who are better able to attract equity investments and other capital.

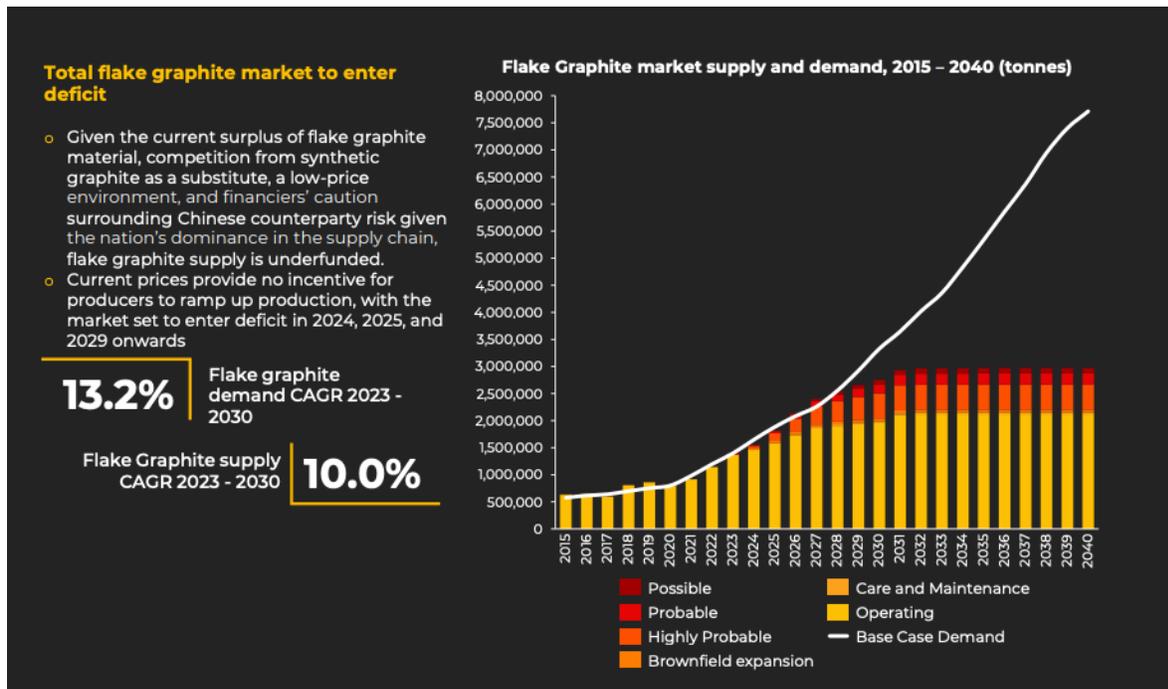
Trends

Global market for and supply of flake graphite

Benchmark Mineral Intelligence estimated that global flake graphite demand in 2020 was approximately 900,000 tonnes and is expected to increase significantly over the next ten years due to increasing demand for lithium-ion batteries used predominantly in electric vehicles. Benchmark Mineral Intelligence estimated that demand for graphite from traditional end-use sectors rose at a steady, measured pace of around 3% compound average growth rate (“CAGR”) over the period 2016-2021 and this trend is expected to be maintained. Meanwhile, demand for graphite from the battery sector rose at 46% CAGR over the same period.

Overall, demand for natural and synthetic graphite rose from 2.18 million tonnes to 3.42 million tonnes between 2016 and 2021 – an increase of 9.4% CAGR. Over the same period, natural, mined graphite demand rose at 4.1% CAGR, while demand for synthetic graphite rose at 13.1% CAGR. While most applications are agnostic to the source of graphite, with the choice coming down to availability and cost differential, some applications favour one of the two sources.

Benchmark Mineral Intelligence estimated that in 2016, only 35 GWh of batteries were used in electric vehicles, but by 2022 this had risen to 581 GWh. A rule of thumb is that approximately 1.1 tonnes of flake graphite (2,500 lbs) is required for each 1GWh of electric vehicle capacity. Benchmark Mineral Intelligence estimated global flake graphite demand for batteries was 0.6 million tonnes in 2021 and is estimated to increase to 3.8 million tonnes by 2032.



Source: Benchmark Mineral Intelligence August 2023

Benchmark Mineral Intelligence has forecast flake graphite supply will track demand growth until 2028 after which a significant supply deficit will exist. The supply response for natural flake graphite is expected to be constrained by technical challenges, capital costs, development timelines and operating economics. The supply response for synthetic flake graphite is expected to be constrained by the

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economics and availability of petroleum needle coke, which is its primary raw material feedstock for synthetic graphite and is also in demand for use in the steel making industry.

As an industrial mineral, flake graphite pricing is determined by three factors: 1) flake size, 2) carbon purity and 3) industry-specific technical attributes of the flakes. Flake sizing is broadly classified into four ranges: small (-100 mesh, or <75µm), medium (-80 to 100 mesh, or 75µm to 180µm), large (-50 to 80 mesh, or 180µm to 300µm), and extra-large or jumbo (+50 mesh, or >300µm). These flake sizes are in turn classified by carbon content (“C”), and are typically sold in ranges of 88-93% C, 94-95% C, and 95-97% C. The specific technical attributes of the flakes are then defined by end-user parameters such as expansion coefficient, thermal and electrical conductivity, and charge-discharge stability and efficiency. Larger flake size is generally sold at a premium to smaller flake sizes, and higher purity products (e.g., above 94%) are sold at a premium to lower purity products. Pricing is further impacted by the regional location of supply.

Material	Grade	Region	IncoTerm	Case	Real/Nominal	Period Year	Short-term forecast			Medium-term forecast						
							2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
USPG 10 Micron	99-95% C	China	FOB	Base	US\$/t, Real 2023	Annual	3,106	3,048	2,990	2,950	2,900	2,900	3,100	3,300	3,400	3,500
+50 mesh	94-95% C	China	FOB	Base	US\$/t, Real 2023	Annual	1,310	1,284	1,250	1,250	1,235	1,225	1,210	1,200	1,190	1,190
+80 mesh	94-95% C	China	FOB	Base	US\$/t, Real 2023	Annual	1,100	1,116	1,153	1,150	1,125	1,100	1,100	1,090	1,080	1,080
+100 mesh	94-95% C	China	FOB	Base	US\$/t, Real 2023	Annual	893	984	1,080	1,075	1,060	1,040	1,050	1,050	1,050	1,050
-100 mesh	94-95% C	China	FOB	Base	US\$/t, Real 2023	Annual	736	861	949	990	985	970	985	990	1,000	1,010

Source: Benchmark Mineral Intelligence August 2023

Transactions in the flake graphite market are generally based on private negotiations between buyers and sellers, as a result there is no spot or forward market. Research companies such as Benchmark Mineral Intelligence and Roskill Information Services estimate current and historical pricing based on their proprietary market research and publish forward estimates for select grades and product types.

Economic Dependence

The Company’s business is dependent on the development and operation of its mineral properties and the conversion of graphite into anode material for the EV market. The Company does not expect to be dependent on any sole contract to purchase the majority of the Company’s requirements for goods, services or raw materials. The Company could be dependent on certain customers since the Company expects to sell the majority of its flake graphite product and anode material through offtakes to a small number of customers.

Environmental Protection

The current and future operations of the Company, including exploration and development activities, are subject to extensive laws and regulations governing environmental protection, employee health and safety, exploration, development, tenure, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations can increase the costs of, and potentially delay planning, designing, and developing the Company’s mineral properties, including the Molo Graphite Mine.

Employees

As of June 30, 2023, in addition to the Board, the President & Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Senior Vice President, Corporate Development, the Vice President, Special Projects, the Mine Manager of the Molo Graphite Mine, and the Vice President, Sustainability, the Company had 118 employees. The Company intends to significantly expand the number of employees upon completion of construction of Phase 1 of the Molo Graphite Mine. No assurance can be given that the Company can retain qualified employees when necessary.

Foreign Operations

The Company’s foreign operations in Madagascar and Mauritius are exposed to various levels of political, economic and social risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; military repression; expropriation; political corruption, extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; war or civil unrest; renegotiation or termination of existing concessions, licenses, permits and contracts; ability of governments to unilaterally alter agreements; surface land access issues; illegal mining; changes in taxation policies, laws and regulations; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any changes in regulations or shifts in political attitudes in such foreign countries are beyond our control and may adversely affect our business. Future development and operations may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to restrictions on production, export controls, import restrictions, such as restrictions applicable to, among other things, equipment, services and supplies, taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, surface land access, land claims of local people and mine safety.

Bankruptcy and Similar Procedures

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There are no bankruptcies, receivership or similar proceedings against the Company, nor is the Company aware of any such pending or threatened proceedings. The Company has not commenced any bankruptcy, receivership or similar proceedings during the Company's history.

Reorganizations

There have been no corporate reorganizations of the Company within the three most recently completed financial years.

Social and Environmental Policies

The Company is committed to the health and safety of its workers, protection of the environment, and protection of the rights, culture and development of local communities in which the Company operates. To ensure the Company incorporates sustainable development and environmental policies into every aspect of its operations, the Board has created a Sustainability Committee that has oversight over all health, safety, environmental sustainability and social issues, and has been tasked with developing a "Sustainable Development Policy" for the Company. The Company is evaluating but has not adopted the requirements of the Mining Association of Canada's industry leading Towards Sustainable Mining Initiative (the "TSM Initiative"), as well as the Global Reporting Initiative's sustainability reporting guidelines for the mining industry (the "GRI Reporting Guidelines"). The TSM Initiative helps mining companies evaluate the quality, comprehensiveness and robustness of their management systems, tailings management, biodiversity management, health and safety, indigenous and community relations, prevention of child and forced labour, and water stewardship. The GRI Reporting Guidelines consist of principles for defining report content and ensuring the quality of reported information.

As part of the advancement of the Molo Graphite Mine, the Company completed a comprehensive Environmental and Social Impact Assessment in 2018, which was developed to local Madagascar, Equator Principles, World Bank and International Finance Corporation standards. On April 11, 2019, the Company announced it had received the Global Environmental Permit for the Molo Graphite Mine from the Madagascar Ministry of Environment's Office National pour l'Environnement (the National Office for the Environment; or "ONE"). This follows the completion of the Environmental & Social Impact Assessment and Relocation Action Plan to International Finance Corporation performance standards and World Bank standards, the completion of local and regional stakeholder and community engagement, and the completion of negotiations and signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed.

RISK FACTORS

The Company manages risks inherent to its business and has procedures to identify and manage significant operational and financial risks. The reader is cautioned to carefully review the risk factors identified below as well as additional risk factors included in the Company's continuous disclosure documents filed from time to time on SEDAR+ at www.sedarplus.ca.

Any such risk factors or events could materially affect the Company's business, financial condition and/or future operating results and prospects and could cause actual events to differ materially from those described in forward-looking statements and information relating to the Company. Additional risks and uncertainties not currently identified by the Company or that the Company currently believes not to be material also may materially and adversely affect the Company's business, financial condition, operations or prospects.

Risks Related to BAF Technical Studies.

The projections and financial outlooks in the Initial Mauritius BAF Technical Study and any New Mauritius BAF Technical Study (including but not limited to capital expenditures, working capital investments, annual revenues, annual operating costs, and annual operating cash flows) were and are estimates only and no assurance can be given that any particular level of profitability will be realized from the Mauritius BAF or any other BAFs developed by the Company. Such projections and financial outlooks rely upon certain assumptions relating to, among other things, product pricing, demand for graphite, capital costs, and operating costs and while the Company believes such assumptions to be reasonable as at the date hereof, there is no guarantee that any such assumptions will prove to be accurate or correct. If these assumptions are incorrect or if access to the Technology Partner is impeded, the Company may not be able to achieve such financial projections for the Mauritius BAF and any other BAFs developed by the Company. Until the Company finalizes and publishes the New Mauritius BAF Technical Study, there is no guarantee that the results of such study will be similar or as favourable as the results of the Initial Mauritius BAF Technical Study. Actual financial results may differ materially from those estimated in the Initial Mauritius BAF Technical Study, any New Mauritius BAF Technical Study, and any other BAF technical studies of the Company.

Risks Related to Emerging Markets.

The Company's material mineral property, the Molo Graphite Mine, is located in Madagascar and the Company intends to build the Mauritius BAF in Mauritius, countries which are considered to be emerging markets. The legal and regulatory requirements in Madagascar and Mauritius are different from those in Canada. The Company's business is subject to the risks and potential governmental and other restrictions normally associated with the conduct of business in countries that are considered to be emerging markets.

The mining regulatory regime in Madagascar grants rights to explore, develop and operate a mine. The Company holds its mining interests through an Exploration Permit and various other approvals from the government, as disclosed in the PEA. No assurance can be given that the terms and conditions of the Company's exploration and mining authorizations will not be amended or that such exploration and mining authorizations will not be challenged or impugned by third parties. Additionally, as discussed under the heading "*Mauritius BAF*", the construction of the Mauritius BAF will be subject to a number of governmental approvals, including but not limited to the EIA approval. While the Board and management of the Company have extensive experience with operating businesses in Africa, the Company relies, to a great extent, on the Company's local advisors in respect of legal, environmental compliance, banking, financing and tax matters to ensure compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's operations in Madagascar and Mauritius. Despite these resources, the Company may fail to comply with a legal or regulatory requirement in Madagascar or Mauritius, which may lead to the revocation of certain rights or to penalties or fees and in enforcement actions thereunder.

Specific risks relating to Madagascar and Mauritius may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, civil disturbances and terrorist actions, arbitrary changes in laws or policies of particular countries, the failure of foreign parties to honour contractual relations, foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, opposition to mining and BAF developments from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on graphite exports and processing, instability due to economic under-development, inadequate infrastructure and increased financing costs. The occurrence of one or more of these risks could have a material and adverse effect on the Company's profitability or the viability of its affected foreign operations, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

In addition, the enforcement by the Company of its legal rights to exploit the Molo Graphite Mine or develop the Mauritius BAF may not be recognized by the local government or by its court system. These risks may limit or disrupt the Company's operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation. The economy and political systems of Madagascar and Mauritius, as with other countries in Africa and many other mining jurisdictions, should be considered by investors to be less predictable than those in countries in which the majority of investors are likely to be resident. The possibility that the current, or a future, government may adopt substantially different policies, take arbitrary action which might halt production, extend to the re-nationalization of private assets or the cancellation of contracts, the cancellation of mining and exploration rights or development permits and/or changes in taxation treatment cannot be ruled out, the happening of any of which could result in a material and adverse effect on the Company's results of operations and financial condition.

Development, Commissioning, and Operation of the Molo Graphite Mine.

The development, commissioning, and operation of Phase 1 is based on management's expectations, and may be delayed by several factors, some of which are beyond the Company's control. There is a risk that development, commissioning, and achievement of commercial production will not be completed on time or on budget, or at all. Successful development and operation of Phase 1 may be affected by the design and construction of an efficient processing facility, the cost and availability of suitable machinery, supplies, equipment and skilled labor, the existence of competent operational management, prudent financial administration, the availability and reliability of appropriately skilled and experienced employees and is dependent on the receipt of various operating permits and the import of equipment into Madagascar (none of which can be assured). Further, the revenues, costs, timing, and complexities of developing and operating the Molo Graphite Mine may be significantly higher than anticipated, which could add to the cost of development, production, and operation and/or impair production and activities, thereby affecting the Company's profitability.

It is common for new mines and processing facilities to experience unexpected problems and delays during construction, development, start-up, and commissioning activities due to late delivery of components, the inadequate availability of skilled labor and mining equipment, energy at an economic cost, adverse weather or equipment failures, the rate at which expenditures are incurred, delays in construction schedules, or delays in obtaining the required permits or consents, or to obtain the required financing. In addition, delays in the early stages of mineral production often occur. During this time, the economic feasibility of production may change. Capital costs are estimates based on the interpretation of geological data, feasibility studies and other conditions, and there can be no assurance that they will prove to be accurate.

Development, Commissioning, and Operation of the BAFs.

The development, commissioning, and operation of BAFs (including the Mauritius BAF) is based on management's expectations, and may be delayed by several factors, some of which are beyond the Company's control. There is a risk that development, commissioning, and achievement of commercial production will not be completed on time or on budget, or at all. Successful development and operation of the Mauritius BAF may be affected by opposition to the project by local communities or authorities, the design and construction of an efficient processing facility, the cost and availability of suitable machinery, supplies, equipment and skilled labor, the existence of competent operational management, prudent financial administration, and the availability and reliability of appropriately skilled and experienced employees. Until a new long-term industrial lease is signed in respect of the New Mauritius BAF Property, and until all

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required approvals are received in order to allow the Company to begin construction and development of the Mauritius BAF, there is no guarantee that the Mauritius BAF will be built on the currently identified New Mauritius BAF Property, or at all.

It is common for new processing facilities to experience unexpected problems and delays during construction, development, start-up, and commissioning activities due to late delivery of components, the inadequate availability of skilled labor and processing equipment, energy and chemical reagents at an economic cost, adverse weather or equipment failures, the rate at which expenditures are incurred, delays in construction schedules, or delays in obtaining the required permits or consents, or to obtain the required financing.

The revenues, costs, timing, and complexities of developing and operating the BAFs may be significantly higher than anticipated, which could add to the cost of development, production, and operation and/or impair production and activities, thereby affecting the Company's profitability.

Construction and Start-Up of New Mines and Industrial Plants.

The development and construction of the Molo Graphite Mine and the BAFs (including the Mauritius BAF) require the construction of significant new industrial facilities. The success of construction projects and the start-up of new mines and industrial plants by the Company is subject to a number of risks and challenges including the availability and performance of engineering and construction contractors, suppliers and consultants; unforeseen geological formations; the implementation of new mining and industrial processes; the receipt of required governmental approvals and permits in connection with the construction of mining and industrial facilities and the conduct of operations, including environmental and operating permits; price escalation on all components of construction and start-up; engineering and mine design adjustments; the underlying characteristics, quality and unpredictability of the exact nature of mineralogy of a deposit and the consequent accurate understanding of ore or concentrate production; and the successful completion and operation of haulage ramp and conveyors to move ore and other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction and development activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with the mine and the industrial facilities could delay or prevent the construction and start-up as planned and may result in additional costs being incurred by the Company beyond those budgeted. There can be no assurance that current or future construction and start-up plans implemented by the Company will be successful.

Geopolitical Risk and Conflict.

As the Company's operations expand and reliance on global supply chains increases, the impact of significant geopolitical risk and conflict globally may have a more sizeable and unpredictable impact on the Company's business, financial condition, and operations than has traditionally been the case. The recent conflict in Ukraine and the global response to this conflict as it relates to sanctions, trade embargos, and military support, has resulted in significant uncertainty as well as economic and supply chain disruptions. Should this conflict go on for an extended period of time, expand beyond Ukraine, or should other geopolitical disputes and conflicts emerge in other regions, this could result in material adverse effects on the Company.

Additional Financings.

The Company will require additional financing through equity securities and/or debt to complete the development, construction and commissioning of the Molo Graphite Mine and the BAFs (including the Mauritius BAF). The success and the pricing of any such capital raising and/or debt financing is dependent upon the prevailing market conditions at that time and upon the Company's ability to attract significant amounts of debt and/or equity. There is no assurance that such financing will be obtained on terms satisfactory to the Company. Failure to obtain any financing necessary for the Company's capital expenditure could result in the delay or indefinite postponement of further construction and development of either or both of the Molo Graphite Mine or the BAFs, which in turn would materially and adversely affect the financial and operating results of the Company and the market price of the Company's securities. If the Company raises additional funding by issuing additional equity securities or convertible debt securities such financings may substantially dilute the interests of shareholders of the Company and reduce the value of their investment. Additional financings and share issuances may result in a substantial dilution to shareholders of the Company and decrease the value of the Company's securities.

The Company's development and exploration projects are in the African country of Madagascar and are subject to country political and regulatory risks

The Company is actively monitoring the political climate in Madagascar and continues to hold meetings with representatives of the government and the Ministries in charge of mining. Depending on future actions taken by the government, or any future government, the Company's business operations could be impacted. Companies in the mining and metals sector continue to be targeted to raise government revenue, particularly as governments struggle with deficits and concerns over the effects of depressed economies. Many governments are continually assessing the fiscal terms of the economic rent for mining companies to exploit resources in their countries. This could include, but is not limited to, the increase of government royalty rates and the imposition of export tariffs on raw or finished materials.

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The government of Madagascar has granted mining claims, permits, and licenses that will enable us to conduct anticipated operations or exploration and development activities. Notwithstanding these arrangements, the Company's ability to conduct operations, exploration and/or development activities at any of its properties is subject to obtaining and/or renewing permits or concessions, changes in laws or government regulations or shifts in political attitudes beyond its control.

Any adverse developments to the political and regulatory situation in Madagascar could have a material effect on the Company's business, results of operations and financial condition. The Company's operations may also be affected in varying degrees by terrorism; military conflict or repression; crime; populism; activism; labour unrest; attempts to renegotiate or nullify existing concessions, licenses, permits and contracts; unstable or unreliable legal systems; changes in fiscal regimes including taxation, and other risks arising out of sovereignty issues.

The Company does not currently carry political risk insurance covering its investments in Madagascar. It may not be possible for investors to enforce judgments in Canada against a loss suffered on the Company's assets and operations in Madagascar.

The Company has a Significant Shareholder

Vision Blue holds approximately 46.6% of the issued and outstanding Common Shares. Dispositions by a significant shareholder could have an adverse effect on the market price of the Common Shares, as the market price of the Common Shares could fall. As a result of the significant holdings, there is a risk that the Company's securities are less liquid and trade at a relative discount compared to circumstances where a significant shareholder does not have the ability to influence or determine matters affecting the Company. Additionally, there is a risk that its significant interests in the Company discourages transactions involving a change of control, including transactions in which an investor, as a holder of the Company's securities, would otherwise receive a premium for its securities in the Company over the then current market price. Further, as long as Vision Blue maintains its current ownership interest in the Company, it may be able to exert influence over matters that are to be determined by votes of the holders of Common Shares. There is a risk that the interests of Vision Blue may differ from those of other shareholders.

Economic dependence on the Molo Graphite Mine.

The Company's principal material mineral property is the Molo Graphite Mine. As a result, unless the Company acquires or develops any additional material properties or projects, any adverse developments affecting this project or the rights to develop the Molo Graphite Mine could materially adversely affect the Company's business, financial condition and results of operations.

Permits and licenses are necessary to operate Phase 1 of the Molo Graphite Mine.

Permits and licenses are necessary to operate Phase 1 of the Molo Graphite Mine and export products from Madagascar. The Company cannot provide assurance that the necessary permits and licenses will be maintained.

Additional permits and licenses are necessary to complete the development of Phase 2 of the Molo Graphite Mine.

Additional permits will be necessary to develop Phase 2 of the Molo Graphite Mine. Applications for these additional permits and licenses have been undertaken or will be in due course at the appropriate time. The Company cannot provide any assurance as to the timing of the receipt of any of the additional permits and licenses necessary to initiate construction of Phase 2 of the Molo Graphite Mine.

Fluctuations in the market price of graphite and other metals may adversely affect and the value of the Company's securities, revenue projections and the ability of the Company to develop Phase 2 of the Molo Graphite Mine.

The value of the Company's securities may be significantly affected by the market price of graphite and other metals, which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances. The Chinese market is a significant source of global demand for commodities, including graphite. Chinese demand has been a major driver in global commodities markets for a number of years and recent reductions in Chinese demand have adversely affected prices for graphite. A slowing in China's economic growth could result in even lower prices and could negatively impact the value of the Company's securities. Excess global supply of graphite could result in a decrease in the price of graphite and other metals, which could adversely impact the projected revenues from the Molo Graphite Mine. Prolonged decreases in the price of graphite or other metals could adversely impact the ability of the Company to proceed with the development of Phase 2 of the Molo Graphite Mine.

Estimates of mineral resources may not be realized.

Mineral resource estimates are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified mineral resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and

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economically exploited. There is no guarantee that mineral resource estimates will ever be converted to mineral reserves. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by mineral type. There can be no assurance that mineral recovery in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Actual recoveries may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. Material changes in mineral resources, grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated mineral resources should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has a limited operating history and expects to incur operating losses for the foreseeable future.

Since incorporation, the Company has principally operated as a mineral exploration and evaluation company and has not earned any revenues. Although the Company received a mining permit in 2019 and initiated construction of the Molo Graphite Mine in 2021, the Company has no operating history as a mining company and there is no basis to assume the Company will be successful as a mining company. There are numerous difficulties normally encountered by mining companies and these companies experience a high rate of failure.

The Company expects to continue to incur operating losses for the foreseeable future until the Molo Graphite Mine generates sufficient recurring revenues to report operating profits, but there is no assurance that construction will be completed or that the mine will ever achieve profitable operations.

Due to the speculative nature of mineral property exploration, there is substantial risk that the Company's assets will not go into commercial production and the business will fail.

Exploration for minerals is a speculative venture involving substantial risk. There are numerous difficulties normally encountered by exploration companies and these companies experience a high rate of failure. The Company cannot provide investors with any assurance that any of the Company's mineral claims, properties, resources or reserves will ever achieve commercial production. The exploration and evaluation work completed on the Molo Graphite Mine claims may not result in commercial production of graphite. The exploration and evaluation work completed on the Green Giant Vanadium Project may not result in commercial production of vanadium or other minerals.

Mining companies are increasingly required to consider and provide benefits to the communities and countries in which they operate, and are subject to extensive environmental, health and safety laws and regulations.

As a result of public concern about the real or perceived detrimental effects of economic globalization and global climate impacts, businesses generally, and large multinational corporations in natural resources industries, face increasing public scrutiny of their activities. These businesses are under pressure to demonstrate that, as they seek to generate satisfactory returns on investment to shareholders, other stakeholders, including employees, governments, communities surrounding operations and the countries in which they operate, benefit and will continue to benefit from their commercial activities. Such pressures tend to be particularly focused on companies whose activities are perceived to have a high impact on their social and physical environment. The potential consequences of these pressures include reputational damage, legal suits, increasing social investment obligations and pressure to increase taxes and royalties payable to governments and communities.

In addition, the Company's ability to successfully obtain key permits and approvals to explore for, develop and operate mines and to successfully operate in communities around the world will likely depend on the Company's ability to develop, operate and close mines in a manner that is consistent with the creation of social and economic benefits in the surrounding communities, which may or may not be required by law. The Company's ability to obtain permits and approvals and to successfully operate in particular communities may be adversely impacted by real or perceived detrimental events associated with the Company's activities or those of other mining companies affecting the environment, human health and safety of communities in which the Company operates. Delays in obtaining or failure to obtain government permits and approvals may adversely affect the Company's operations, including its ability to explore or develop properties, commence production or continue operations. Key permits and approvals may be revoked or suspended or may be varied in a manner that adversely affects the Company's operations, including its ability to explore or develop properties, commence production or continue operations.

The Company's operations are subject to environmental regulations, which could result in additional costs and operational delays. Environmental legislation is evolving in a manner that may require stricter standards, and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that any future changes in environmental regulation will not negatively affect the Company's projects.

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The Company's business operations are subject to extensive laws and regulations governing worker health and safety and land use and the protection of the environment, which generally apply to air and water quality, protection of endangered, protected or other specified species, hazardous waste management and reclamation. The Company has made, and expect to make in the future, significant expenditures to comply with such laws and regulations. Compliance with these laws and regulations imposes substantial costs and burdens, and can cause delays in obtaining, or failure to obtain, government permits and approvals which may adversely impact the Company's closure processes and operations.

Because of the inherent dangers involved in mining operations and mineral exploration, there is a risk that the Company may incur liability or damages as the Company conducts business.

Mining operations and mineral exploration involve numerous hazards. Insurance against environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production, has not been available generally in the mining industry.

The Company may become subject to liability for such hazards, including accidents, pollution, cave-ins and other hazards against which the Company cannot, or may elect not, to insure against. The Company currently has mine and general liability insurance coverage for its operations. The Company has limited insurance coverage for most environmental risks. In the event of a problem, the payment of environmental liabilities and costs would reduce the funds available to us for future operations. Management intends to periodically review the availability of commercially reasonable insurance coverage. If a hazard were to occur, the costs of rectifying the hazard may exceed the Company's insurance coverage. If the shortfall in insurance coverage were to exceed our asset value, it could cause us to liquidate our assets.

Should the Company lose the services of key executives, the Company's financial condition and proposed expansion may be negatively impacted.

The Company depends on the continued contributions of the Company's executive officers to work effectively as a team, to execute its business strategy and to manage its business. The loss of key personnel, or their failure to work effectively, could have a material adverse effect on its business, financial condition, and results of operations. Specifically, the Company relies on the members of management discussed under the heading "*Directors and Officers*" herein.

The Company does not maintain key man life insurance. Should the Company lose any or all of their services and the Company is unable to replace their services with equally competent and experienced personnel, the Company's operational goals and strategies may be adversely affected.

Access to the Company's properties, mine operations, and export of product may be restricted by inclement weather or lack of proper infrastructure.

Access to the mining property, processing plant, ports and properties underlying the Company's mineral claims and interests could be restricted due to their remote locations and because of weather conditions. Some of the Company's exploration properties are only accessible by air. As a result, any attempts to visit, test, or explore the property are generally limited to those periods when weather permits such activities. These limitations can result in significant delays in exploration activities, mining operations, and efforts to export production.

Climate change and related regulatory responses may impact the Company's business.

Climate change as a result of emissions of greenhouse gases is a current topic of discussion and may generate government regulatory responses in the near future. It is impracticable to predict with any certainty the impact of climate change on the Company's business or the regulatory responses to it, although the Company recognizes that they could be significant. However, it is too soon for the Company to predict with any certainty the ultimate impact, either directionally or quantitatively, of climate change and related regulatory responses.

To the extent that climate change increases the risk of natural disasters or other disruptive events in the areas in which the Company operates, the Company could be harmed. While the Company maintains rudimentary business recovery plans that are intended to allow us to recover from natural disasters or other events that can be disruptive to the Company's business, its plans may not fully protect the Company from all such disasters or events.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for management.

The Company's management team needs to devote significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

Tax risks.

Changes in tax laws or tax rulings could materially affect the Company's financial position and results of operations. Changes to, or differing interpretations of, taxation laws or regulations in Canada, Madagascar, Mauritius, the United States of America, or any of the countries in which the Company's assets or relevant contracting parties are located could result in some or all of the Company's profits being subject to additional taxation or other tax liabilities being applicable to the Company or its subsidiaries. Taxation laws are complex, subject to differing interpretations and applications by the relevant tax authorities. In particular, the tax treatment relating to the Company's corporate redomicile from the US to Canada is complex. There is no assurance that new taxation rules or accounting policies will not be enacted or that existing rules will not be applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on profitability, results of operations, financial condition and the trading price of the Company's securities. Additionally, the introduction of new tax rules or accounting policies, or changes to, or differing interpretations of, or application of, existing tax rules or accounting policies could make investments in or by the Company less attractive to counterparties. Such changes could adversely affect the Company's ability to raise additional funding or make future investments.

The Company may experience losses due to foreign exchange translations.

From time to time the Company holds a significant portion of cash reserves in Canadian dollars. Due to foreign exchange rate fluctuations, the value of these Canadian dollar reserves can result in translation gains or losses in U.S. dollar terms. If there was a significant decline in the Canadian dollar versus the U.S. dollar, the Company's converted Canadian dollar cash balances presented in U.S. dollars on its balance sheet would significantly decline. If the US dollar significantly declines relative to the Canadian dollar the Company's quoted US dollar cash position would significantly decline as it would be more expensive in US dollar terms to pay Canadian dollar expenses. The Company has not entered into derivative instruments to offset the impact of foreign exchange fluctuations. In addition, certain of the Company's ongoing expenditures are in South African Rand, Madagascar Ariary and Euros requiring us to occasionally hold reserves of these foreign currencies with a similar risk of foreign exchange currency translation losses.

The Company's business is subject to anti-corruption and anti-bribery laws, a breach or violation of which could lead to civil and criminal fines and penalties, loss of licenses or permits and reputational harm.

The Company operates in certain jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. Anti-corruption and anti-bribery laws in certain jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. The Company's corporate policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. There can be no assurance that the Company's internal control policies and procedures always will protect it from recklessness, fraudulent behavior, dishonesty or other inappropriate acts committed by the Company's affiliates, employees or agents. As such, the Company's corporate policies and processes may not prevent all potential breaches of law or other governance practices. Violations of these laws, or allegations of such violations, could lead to civil and criminal fines and penalties, litigation, and loss of operating licenses or permits, and may damage the Company's reputation, which could have a material adverse effect on its business, financial position and results of operations or cause the market value of the Common Shares to decline.

The Company is exposed to general economic conditions, which could have a material adverse impact on its business, operating results and financial condition.

Recently there have been adverse conditions and uncertainty in the global economy as the result of unstable global financial and credit markets, inflation, and recession. These unfavorable economic conditions and the weakness of the credit market may continue to have, an impact on the Company's business and the Company's financial condition. The current global macroeconomic environment may affect the Company's ability to access the capital markets may be severely restricted at a time when the Company wishes or needs to access such markets, which could have a materially adverse impact on the Company's flexibility to react to changing economic and business conditions or carry on operations.

The market price for the Common Shares is particularly volatile given the Company's status as a company with a small public float, limited operating history and lack of profits which could lead to wide fluctuations in the market price for the Common Shares.

The market price for the Common Shares is characterized by significant price volatility when compared to seasoned issuers, and the Company expects that its share price will continue to be more volatile than a seasoned issuer. Such volatility is attributable to a number of factors. First, the Common Shares, at times, are thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of Common Shares by shareholders may disproportionately influence the price of those Common Shares in either direction. The price for the Common Shares could, for example, decline precipitously in the event that a large number of Common Shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Second, the Company is a speculative or "risky" investment due to the Company's limited operating history, lack of profits to date and uncertainty of future market acceptance for the Company's potential products. As a

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consequence, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond the Company's control and may decrease the market price of the Common Shares, regardless of the Company's performance. The Company cannot make any predictions as to what the prevailing market price for the Common Shares will be at any time or as to what effect that the sale of Common Shares or the availability of Common Shares for sale at any time will have on the prevailing market price.

Securities of small-cap and mid-cap companies have experienced substantial volatility in the recent past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in graphite prices and demand, the U.S. dollar, the Malagasy ariary, the Canadian dollar, and the Company's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Company that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in its securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause its securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

The Company does not intend to pay dividends in the foreseeable future.

The Company does not anticipate paying cash dividends in the foreseeable future. The Company may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, the Company may nevertheless decide, in its sole discretion, not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of the Company's operations, cash flows and financial condition, operating and capital requirements, and other factors the board of directors may consider relevant. There is no assurance that the Company will pay any dividends in the future, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

DIVIDENDS AND DISTRIBUTIONS

The Company does not pay dividends and is unlikely to do so in the immediate or foreseeable future.

DESCRIPTION OF THE CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares, of which 155,574,507 Common Shares are outstanding as at the date hereof. Holders of Common Shares are entitled to receive notice of any meetings of the holders of Common Shares of the Corporation and to attend and to cast one vote per Common Share held at all such meetings.

Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors. Holders of Common Shares are entitled to receive on a *pro rata* basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefore and upon the liquidation, dissolution or winding up of the Corporation are entitled to receive on a *pro rata* basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

MARKET FOR SECURITIES

Trading Price and Volume

The outstanding Common Shares are listed and posted for trading on the TSX under the symbol "NEXT" and on the OTCQB under the symbol "NSRCF". The table below sets forth the high and low closing sale prices and volume of the Common Shares on the TSX for each month of the financial year ended June 30, 2023. Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

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Period	High Trading Price (C\$)	Low Trading Price (C\$)	Volume
July 2022	2.88	1.73	1,675,483
August 2022	3.40	2.48	1,438,449
September 2022	3.20	2.15	1,163,419
October 2022	2.66	1.63	2,506,996
November 2022	3.19	2.34	1,806,615
December 2022	3.24	2.30	1,165,739
January 2023	3.17	2.65	1,170,547
February 2023	3.05	2.48	1,090,397
March 2023	2.88	2.10	1,432,762
April 2023	2.40	1.97	915,025
May 2023	2.07	1.90	706,028
June 2023	2.17	1.86	672,409

Prior Sales

The following table summarizes the issuances by the Company of Common Shares, and securities convertible into or exchangeable for Common Shares, during the financial year ended June 30, 2023 and including to the date hereof.

Date	Type of Security Issued	Issuance / Exercise Price Per Security	Number of Securities Issued
July 28, 2022	Restricted Share Units ⁽¹⁾	N/A	160,000
October 31, 2022	Common Shares ⁽²⁾	C\$1.00	23,214,286
June 30, 2023	Common Shares ⁽³⁾	N/A	184,107
August 1, 2023	Common Shares ⁽⁴⁾	C\$1.65	30,303,500

Notes:

- (1) Each Restricted Share Unit entitles the holder thereof to one Common Share, subject to adjustments, vests on June 30, 2023 and expires on June 30, 2024.
- (2) Issued in connection with the exercise of Warrants.
- (3) Issued in connection with the conversion of Restricted Share Units.
- (4) Issued in connection with the Offering.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Company, there are total of 76,643,418 Common Shares held by directors, officers, and Vision Blue that are subject to a contractual restriction on transfer for a period extending 90 days from the closing of the Offering, representing approximately 49.2% of the issued and outstanding Common Shares as at the date hereof.

DIRECTORS AND OFFICERS

Name, Occupation, and Securityholdings

The name, province or state of residence, position with and principal occupation within the five preceding years for each of the directors and executive officers of the Company as at the date hereof are set out in the following table:

Name	Company Position	Principal Occupation ⁽¹⁾	Director or Officer Since	# and % of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly ⁽²⁾
Sir Mick Davis (London, UK)	Chair of the Board of Directors	CEO of Vision Blue	March 2021	72,580,072 ⁽⁷⁾ (46.6%)

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Craig Scherba ⁽⁶⁾ (Riviere Noire, Mauritius)	Director, and President & Chief Executive Officer		January 2010	445,993 (0.2%)
Brett Whalen ⁽³⁾ (Markham, ON, Canada)	Director	Professional investor	July 2020	1,025,000 (0.65%)
Robin Borley ⁽⁶⁾ (Johannesburg, South Africa)	Director, and Chief Operating Officer		December 2013	1,249,563 (0.8%)
Christopher Kruba ⁽³⁾⁽⁴⁾⁽⁵⁾ (Windsor, ON, Canada)	Director	Vice-President and Senior Counsel of Nostrum Capital Corporation	December 2020	360,000 (0.2%)
Ian Pearce ⁽³⁾⁽⁶⁾ (Toronto, ON, Canada)	Director	Chair of the Board of Directors of Newgold Inc., Director of Nexa Resources, Northland Power Inc., and Metso Outotec	July 2021	33,236 (0.02%)
Marc Johnson (Toronto, ON, Canada)	Chief Financial Officer		October 2015	495,501 (0.3%)
Brent Nykoliation (Toronto, ON, Canada)	SVP Corporate Development		November 2008	454,053 (0.3%)
Markus Reichardt (Isleworth, United Kingdom)	Vice President, Sustainability		March 2023	\$Nil (0.0%)
Danniel Stokes (Lancashire, United Kingdom)	Vice President, Special Projects		October 2022	\$Nil (0.0%)

Notes:

- (1) Other than as described in the Company Position by the respective individual.
- (2) The number of securities beneficially owned or controlled or directed, directly or not directly, is not within the knowledge of the Company and has been furnished by the respective individual.
- (3) Ian Pearce, Brett Whalen, and Christopher Kruba are independent directors of the Company.
- (4) Members of the Audit Committee are Christopher Kruba (Chair), Brett Whalen, and Ian Pearce.
- (5) Members of the Governance Committee are Brett Whalen (Chair), Christopher Kruba, and Ian Pearce.
- (6) Members of the Sustainability Committee are Ian Pearce (Chair), Craig Scherba and Robin Borley.
- (7) These represent the Common Shares held by Vision Blue.

Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No directors or executive officers of the Company: (i) is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that (a) was subject to a cease trade order; an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “**Order**”) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (ii) is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became

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bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (iii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

As at the date hereof, no directors or executive officers of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in deciding whether to vote for a proposed director.

Conflicts of Interest

To the best of our knowledge, and other than as disclosed below, there are no known existing or potential conflicts of interest between the Company and any of the Company's directors or officers, except that certain of the directors and officers serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of NextSource and their duties as a director or officer of such other companies.

The Chair of the Board, Sir Mick Davis, is also the CEO of Vision Blue, and a director of the Company, Ian Pearce, was appointed to the Board by Vision Blue. Vision Blue holds 46.6% of the outstanding and issued Common Shares. Vision Blue also owns a royalty on the Molo Graphite Mine and a royalty on the Green Giant Vanadium Project. Vision Blue was also granted certain other rights in connection with the Financing Package, as further described under the heading "*Interest of Management and Others in Material Transactions*".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not currently involved in any litigation that we believe could have a material adverse effect on the financial condition or results of operations of the Company. There is no regulatory action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, securities commissions, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company, threatened against or affecting the Company, the Common Shares, any of the officers or directors of the Company in their capacities as such, in which an adverse decision could have a material adverse effect.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, other than as disclosed below, no director, executive officer, or person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Company, or an associate or affiliate of any of the foregoing, have had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date hereof that has materially affected or is reasonably expected to materially affect the Company.

Vision Blue holds 72,580,072 Common Shares representing approximately 46.6% of the issued and outstanding Common Shares, which were acquired in connection with the Financing Package, the exercise of VB Warrants, and the Offering. Vision Blue also holds a royalty on the Molo Graphite Mine and a royalty on the Green Giant Vanadium Project. Vision Blue was also granted certain other rights in connection with the Financing Package, including equity participation rights, as disclosed herein. The Chairman of Vision Blue, Sir Mick Davis, was appointed as Chair of the Board of the Company on March 5, 2021. The second Vision Blue appointee, Ian Pearce, was appointed to the Board on July 14, 2021.

TRANSFER AGENT AND REGISTRAR

The Company's principal transfer agent and registrar for the Common Shares is TSX Trust Company and its principal offices in Toronto, Ontario, Canada.

MATERIAL CONTRACTS

The following lists material contracts that were entered into outside the normal course of business during the most recently completed fiscal year or before the last fiscal year that are still in effect and material to the Company:

- a) The Investment Agreement dated February 7, 2021, entered into between Vision Blue Resources Limited and the Company, and as amended June 6, 2023.
- b) The Royalty Agreement Relating to the Molo Graphite and Vanadium Project dated February 8, 2021, entered into between Vision Blue Resources Limited as royalty holder, NextSource Graphite (Mauritius) Ltd., as graphite grantor, NextSource

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Minerals (Mauritius) Ltd. as vanadium grantor, and NextSource Materials Inc., ERG (Madagascar) SARLU, NextSource Minerals (Madagascar) and NextSource Materials (Mauritius) Ltd. as guarantors.

INTEREST OF EXPERTS

The following are the names of each person or company who is named as having prepared or certified a report, valuation, statement or opinion described or included herein or in a document incorporated by reference, and whose profession or business gives authority to such report, valuation, statement or opinion:

1. MNP LLP provided an auditor's report dated September 28, 2023 in respect of the Financial Statements. MNP LLP has advised that it is independent within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.
2. Johann de Bruin, Pr. Eng., Director at Erudite Projects (Pty) Ltd., is a qualified person who authored certain portions of the PEA. To the knowledge of the Corporation, neither the author nor the firm the author works with had an interest in any securities or other properties of the Corporation, its associates or affiliates as at the date of the PEA or as at the date hereof.
3. Oliver Peters, P. Eng., Principal Metallurgist at Metpro Management Inc., is a qualified person who authored certain portions of the PEA. To the knowledge of the Corporation, neither the author nor the firm the author works with had an interest in any securities or other properties of the Corporation, its associates or affiliates as at the date of the PEA or as at the date hereof.
4. Sivanesan (Desmond) Subramani, Pr. Sci. Nat., Principal Resource Geologist at Caracle Creek International Consulting (Pty) Ltd., is a qualified person who authored certain portions of the PEA. To the knowledge of the Corporation, neither the author nor the firm the author works with had an interest in any securities or other properties of the Corporation, its associates or affiliates as at the date of the PEA or as at the date hereof.
5. Philip John Hancox, Pr. Sci. Nat., Director at Caracle Creek International Consulting (Pty) Ltd., is a qualified person who authored certain portions of the PEA. To the knowledge of the Corporation, neither the author nor the firm the author works with had an interest in any securities or other properties of the Corporation, its associates or affiliates as at the date of the PEA or as at the date hereof.
6. Pono Mogoera, Pr. Eng., Process Engineer at Erudite Projects (Pty) Ltd., is a qualified person who authored certain portions of the PEA. To the knowledge of the Corporation, neither the author nor the firm the author works with had an interest in any securities or other properties of the Corporation, its associates or affiliates as at the date of the PEA or as at the date hereof.
7. Schalk Pienaar, Pr. Eng., Civil and Structural Engineer at Erudite Projects (Pty) Ltd., is a qualified person who authored certain portions of the PEA. To the knowledge of the Corporation, neither the author nor the firm the author works with had an interest in any securities or other properties of the Corporation, its associates or affiliates as at the date of the PEA or as at the date hereof.
8. Hercules Albertus Smit, Pr. Eng., Senior Electrical Engineer at Erudite Projects (Pty) Ltd., is a qualified person who authored certain portions of the PEA. To the knowledge of the Corporation, neither the author nor the firm the author works with had an interest in any securities or other properties of the Corporation, its associates or affiliates as at the date of the PEA or as at the date hereof.
9. Albertus Wynand Christoffel (Alkie) Marais, MSc. Geohydrology, Principal Hydrogeologist at GCS Water and Environmental Consultants (Pty) Ltd., is a qualified person who authored certain portions of the PEA. To the knowledge of the Corporation, neither the author nor the firm the author works with had an interest in any securities or other properties of the Corporation, its associates or affiliates as at the date of the PEA or as at the date hereof.
10. Craig Scherba, P. Geo., President and Chief Executive Officer of the Corporation, is the qualified person who reviewed, approved and verified the scientific and technical information disclosed in this AIF. Mr. Scherba's holdings of securities of the Corporation as of the date hereof do not exceed 1.0% of the issued and outstanding securities of the Corporation.

AUDIT COMMITTEE

Audit Committee Charter

Attached hereto as Schedule “B” is the Audit Committee Charter.

Oversight

The Audit Committee is responsible for the oversight and for recommending the appointment, compensation, retention, termination of an independent external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company. The Company has adopted a requirement to pre-approve non-audit services provided by the external auditor.

Meetings

During the financial year ended June 30, 2023, the audit committees met 4 times in person or by telephone.

Composition

The members of the Audit Committee are Christopher Kruba (Chair), Brett Whalen, and Ian Pearce. Each member is “independent” and is “financially literate” in accordance with the standards of National Instrument 52-110.

Relevant Education and Experience

Christopher Kruba is Vice-President and Counsel to Nostrum Capital Corporation and a number of related corporations that are part of the Toldo Group. The Toldo Group is headquartered in Windsor, Ontario and is composed of several privately held corporations in Canada and the United States, some of which manufacture and operate in diversified sectors and others which are involved in active and passive investments across capital markets throughout North America, Europe and Africa. In addition to his responsibilities as counsel to the Toldo Group Mr. Kruba serves as corporate secretary to all the companies, is a member of group’s investment committee and he serves on the board of directors of many of the companies. In his roles Mr. Kruba is involved in capital market decisions, he has lead mergers and acquisitions and he has participated in the management and strategic planning for numerous companies, including venture capital corporations in which the group has invested. Prior to joining the Toldo Group in 2000 Mr. Kruba articulated with and practiced at the law firm of Gignac, Sutts LLP in Windsor, Ontario. Mr. Kruba graduated from the University of Windsor’s Faculty of Law in 1998 and has been a Member of the Law Society of Ontario since 1999. Nostrum Capital Corporation and Mr. Kruba personally have been investors in NextSource Materials Inc. since 2011.

Brett Whalen has been a director since July 2020 and was appointed as Chair of the Board from July 2020 until March 2021. Mr. Whalen has over 20 years of investment banking and M&A expertise, spending over 16 of those years at Dundee Corporation (“**Dundee Corp.**”). During his tenure at Dundee Corp., Mr. Whalen was directly involved in completing approximately \$2 billion in M&A deals and helped raise over \$10 billion dollars in capital to the resource sector. Mr. Whalen became Vice President and Portfolio Manager of Goodman and Company (a division of Dundee) and was President and CEO of the CMP Group of Companies. Mr. Whalen has held Board seats of several TSX-listed and privately held companies and holds a BA (Honours) degree in Economics and Finance from Wilfrid Laurier University.

Ian Pearce is a Corporate Director with over 40 years of professional experience in the global metallurgy and mining related industries. Mr. Pearce held executive roles at Falconbridge Limited, including Chief Operating Officer and subsequently served as Chief Executive Officer of Xstrata Nickel, a subsidiary of Xstrata plc. He has also held senior engineering and project management roles managing numerous significant development projects in the mining extractives sector. Mr. Pearce currently is a Director of New Gold Inc, where he is Chair of the Board, Director of Metso Outotec Corporation and Director of Northland Power Inc. Mr. Pearce holds a Higher National Diploma in Engineering (Mineral Processing) from the University of Johannesburg and a Bachelor of Science degree from the University of the Witwatersrand in South Africa.

External Auditor Service Fees

MNP LLP served as external auditor for the fiscal year ended June 30, 2023. The Board considers that the work done by MNP LLP is compatible with maintaining MNP LLP as external auditor for the next fiscal year. All the work expended by MNP LLP on the audit was attributed to work performed by MNP LLP’s full-time permanent employees.

During the years ended June 30, 2023 and 2022, the Audit Committee pre-approved all of the fees invoiced by MNP LLP.

	Year-ended June 30, 2023	Year-ended June 30, 2022
Audit Fees ⁽¹⁾	\$39,857	\$58,422
Audit-Related Fees ⁽²⁾	\$66,061	\$23,394
Tax Fees ⁽³⁾	\$38,291	\$20,447

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All Other Fees ⁽⁴⁾	\$Nil	\$Nil
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(1): *Audit Fees* is the aggregate fees in USD billed by the issuer's external auditor during each of the last two fiscal years for audit services.

(2): *Audit-Related Fees* is the aggregate fees in USD billed during each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under *Audit Fees*.

(3): *Tax Fees* is the aggregate fees in USD billed during each of the last two fiscal years for professional services rendered by the issuer's external auditor for tax compliance, tax advice, and tax planning.

(4): *All Other Fees* is the aggregate fees in USD billed during each of the last two fiscal years for products and services provided by the issuer's external auditor, other than the services reported under.

ADDITIONAL INFORMATION

Additional information related to the Company is provided in the Financial Statements and MD&A for the years ended June 30, 2023 and 2022, which are available on SEDAR+ at www.sedarplus.ca or on the Company website at www.nextsourcematerials.com.

SCHEDULE “A” - SUMMARY SECTION FROM THE PEA

The summary in this Schedule A does not purport to be a complete summary of the Molo Graphite Mine and is subject to all of the assumptions, qualifications and procedures set out in the PEA and is qualified in its entirety with reference to the full text of the PEA, which is incorporated by reference herein (except in respect of the previously delineated mineral reserve estimates, which have been retracted by the Company). Readers should read the summary in this Schedule “A” in conjunction with the PEA which is available electronically under the profile of the Company at www.sedarplus.ca. Capitalized terms used in this Schedule “A” and not otherwise defined shall carry the meanings of such terms as defined in the PEA.

Introduction

The Molo deposit is situated 160 km south-east of the city of Toliara, in the Tulear region of south-western Madagascar. The deposit occurs in a sparsely populated, dry savannah grassland region, which has easy access via a network of seasonal secondary roads radiating outward from the village of Fotadrevo. Fotadrevo in turn has an all-weather airstrip and access to a road system that leads to the regional capital (and port city) of Toliara and the Port of Ehoala at Fort Dauphin via the RN10, or RN13.

Geologically, Molo is situated in the Bekily block (Tolagnaro-Ampanihy high grade metamorphic province) of southern Madagascar. The Molo deposit is underlain predominantly by moderately to highly metamorphosed and sheared graphitic (biotite, chlorite and garnet-rich) quartzo-feldspathic schists and gneisses, which are variably mineralised. Near surface rocks are oxidised, and saprolitic to a depth, usually of less than 5m.

Molo was one of several surficial graphite trends discovered by the Company, (then Energizer Resources) in late 2011, and announced in early January 2012. The deposit was originally drill tested in 2012, with an initial seven holes being completed. Resource delineation, drilling and trenching on Molo took place between May and November of 2012 and allowed for a maiden Indicated and Inferred Resource to be stated in early December of the same year. This maiden Mineral Resource Estimate (“MRE”) formed the basis for a PEA, which was undertaken by DRA Projects in 2013 (the “Molo 2013 PEA”).

The positive outcome of the Molo 2013 PEA led the Company to undertake another phase of exploratory drilling and sampling in 2014, which was done under the supervision of CCIC. This phase of exploration was aimed at improving the geological confidence of the deposit and its contained mineral resources and included an additional 32 diamond drill holes (totalling 2,063m) and 9 trenches (totalling 1,876m).

CCIC were subsequently engaged to update the geological model and resource estimate. The entire database on which this new model and resource estimate is based contains 80 drill holes (totalling 11,660m) and 35 trenches (totalling 8,492m). This new resource formed the basis of the Molo 2015 Feasibility Study, which was based on 860 ktpa of ore processing capacity (the “Molo 2015 FS”).

In 2017, the Company released the results of an updated Molo Feasibility Study, which was based on ore processing capacity of 240 ktpa (the “Molo 2017 FS”).

On September 27, 2019, the Company reported the results of an updated Feasibility Study (“FS”) consisting of two phases: Phase 1 consisted of a fully operational and sustainable graphite mine with a permanent processing plant capable of processing 240,000 tpa of ore producing approximately 17,000 tpa of graphite concentrate per year over a 30-year life of mine, and Phase 2 consisted of a modular expansion to a production capacity of 45,000 tpa of graphite concentrate in Year 3.

On March 29, 2021, the Company announced the initiation of the construction process for Phase 1 of the Molo Graphite Mine with a processing plant capable of processing 240,000 tpa of ore producing approximately 17,000 tpa of graphite concentrate.

Anticipating the future demand for industrial minerals such as those held by the Company (Graphite and Vanadium) is complex. The demand for these minerals is, to a large extent, driven by the development of the battery market which remains uncertain, but bullish. Significant research has been completed by various analysts and the consensus view is that an explosive increase in demand can be expected. The uncertainty, however, is the timing of such increase in demand.

The Company has announced graphite concentrate offtakes with a Japanese Trader and with *thyssenkrupp*. The Company is in the process of formalizing additional sales agreements. To ensure that the Company remains ahead of the competition and to appropriately plan for future market demand, the Company has opted for a flexible development approach, which comprises a modular solution yielding optimal cashflow and return metrics with suitable flexibility to enable them to rapidly respond to market changes.

As such, the Company requested the completion of a PEA-level study for an enhanced Phase 2 expansion.

This Technical Report (hereinafter referred to as the “PEA”) considers a Phase 2 stand-alone processing plant capable of processing 2,500,000 tpa of ore producing approximately 150,000 tpa of graphite concentrate over a 26 year LoM.

This PEA utilises the knowledge base of the FS technical report. Where applicable and relevant, Phase 2 amounts from the FS are updated for inflation and current market realities. Phase 2 costing is derived from current market pricing and the factorisation of pricing obtained during construction of Phase 1. Phase 2 costs are therefore deemed accurate to PEA level. Costs are expected to be further optimised through economies of scale which are not considered in the report.

The Company has every intention to develop Phase 2 in close succession to the completion of Phase 1 and has the mineral resources to support further increases of its mining and beneficiation capacity as the inevitable increase in demand is realised.

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Project Location

The Molo deposit is located some 160 km south-east of Madagascar’s administrative capital (and port city) of Toliara, in the Tulear region and about 220 km NW of Fort Dauphin and is approximately 13 km NE of the local village of Fotadrevo.

Project Description

The Phase 1 of the Molo Graphite Mine consists of the construction of a greenfield open pit mine, a processing plant capable of processing 240,000 tpa of ore producing 17,000 tpa of graphite concentrate, and all supporting infrastructure including water, fuel, power, tailings (co-disposed), buildings and permanent accommodation. This PEA considers a stand-alone Phase 2 processing plant capable of processing 2,500,000 tpa of ore producing 150,000 tpa of graphite concentrate over a 26 year LoM, and all supporting infrastructure including water, fuel, power, tailings (co-disposed), buildings and permanent accommodation. Only the Phase 2 revenues, operating costs and capital cost estimates form the basis of the PEA financial model.

Summary of Financial Results

The financial results for Phase 2, consisting of a stand-alone processing plant capable of producing 150,000 tpa of graphite concentrate over a 26 year LoM, are summarized in Table 1 below. The results are based on a discounted cash flow analysis of Phase 2 using real cash flows, which do not include the effects of inflation. NextSource completed all financial modelling and sensitivity analysis, including the estimates for the NPV, IRR, payback and initial working capital.

Table 1: Summary of Financial Results

Description	Phase 2 PEA (150K tpa production)
Economic Highlights	
Pre-tax Net Present Value (“NPV”) (8% discount rate) ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁸⁾	US\$904.8 million
Post-tax NPV (8% discount rate) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁸⁾	US\$593.0 million
Pre-tax Internal Rate of Return (“IRR”) ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁸⁾	40.4%
Post-tax IRR ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁸⁾	31.4%
Life of Mine (“LoM”)	26 years
Pre-tax payback ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁸⁾	3.18 years
Post-tax payback ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁸⁾	3.74 years
Capital costs (“CAPEX”) including contingency of \$31.96 million ⁽²⁾	US\$155.8 million
Initial working capital	US\$20.9 million
Sustaining and closure CAPEX	US\$24.5 million
Operational Highlights	
Graphite concentrate sale price (US\$ per tonne of concentrate) ⁽⁸⁾	US\$1,230.50
Average operating costs FOB (“Opex”) (US\$ per tonne of concentrate following ramp-up) ⁽⁷⁾	US\$495.62
Average annual production of concentrate ⁽⁵⁾⁽⁶⁾	150,000 tpa
Average ore mined per annum over LoM	2,532,345 tpa
Average head grade	6.16%
Concentrate purity (Cg) of finished product	97%
Average stripping ratio	0.53:1
Average carbon recovery	88.30%

Notes

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- (1) Assumes Project is financed with 100% equity.
- (2) Capex includes process equipment, civil and infrastructure, mining, buildings, electrical infrastructure, project and construction services.
- (3) Assumes 2% government gross revenue royalty, 3% Vision Blue gross revenue royalty, 1.5% NSR royalty and corporate tax rate of 20%.
- (4) Assumes no inflationary adjustments in sales price, or operating costs.
- (5) Assumes all mineralized material from the Company's 2019 Feasibility Study, including ore from the Measured, Indicated and Inferred Mineral Resource categories, are sent to the treatment plant.
- (6) Assumes a cut-off grade of 4.5% carbon has been applied, with all material below this cut-off grade treated as waste.
- (7) Assumes all concentrate will be sold on a FOB basis at the Port of Ehoala, Madagascar.
- (8) Based on current market prices provided by UK-based commodity price reporting agencies Benchmark Minerals Intelligence and fast markets.

Property Description and Ownership

Property Description

The Project includes 790 claims and an area totalling 308.6 km².

The Project is centred on UTM coordinates 495,289 easting 7,345,473 northing (UTM 38S, WGS 84 datum), and is located 11.5 km east-north-east of the town of Fotadrevo.

The property is within Exploitation / Mining Permit PE #39807 which covers an area of 175 km² or 17,500 hectares ("ha"), and Exploration Permits PR #39806 and PR #39810 which cover areas of 96.1 km² (9609 ha) and 37.5 km² (3750 ha), respectively.

Ownership

On December 14, 2011, the Company entered into a Definitive JVA with Malagasy Minerals Limited, (hereinafter referred to as "Malagasy"), a public company on the Australian Stock Exchange, to acquire a 75% interest to explore and develop a group of industrial minerals, including graphite, vanadium and approximately 25 other minerals. On October 24, 2013, the Company signed a MOU with Malagasy to acquire the remaining 25% interest in the land position.

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement with Malagasy to acquire the remaining 25% interest. Malagasy retains a 1.5% Net Smelter Return Royalty ("NSR").

CCIC reviewed a copy of the Contrat d'Amodiation pertaining to this right and are satisfied that the rights to explore this permit have been ceded to the Company, or one of its Madagascar subsidiaries.

The Project was located within Exploration Permit PR #3432 as issued by the Bureau de Cadastre Minier de Madagascar ("BCMM") pursuant to the Mining Code 1999 (as amended) and its implementing decrees. On January 18, 2019, Permit PR #3432 was transformed into two Exploration Permits (PR #39806 and PR #39810) and an Exploitation Permit (PE #39807) by the Ministry of Mines, with the official permit being granted to the Company by the BCMM on February 14, 2019.

Mineral Resources delineated in Sections 14 of the Report are entirely within the bounds of Exploitation Permit PE #39807. The Company holds the exclusive right to exploit / mine and explore for graphite within this license area for a period of 40 years and can renew the license several times for a further period of 20 years upon each renewal.

The Company holds the exclusive right to explore for a defined group of industrial minerals within Exploration Permits PR #39806 and PR #39810. These industrial minerals include the following: Vanadium, Lithium, Aggregates, Alunite, Barite, Bentonite, Vermiculite, Carbonatites, Corundum, Dimensional stone, (excluding labradorite), Feldspar (excluding labradorite), Fluorspar, Granite, Graphite, Gypsum, Kaolin, Kyanite, Limestone / Dolomite, Marble, Mica, Olivine, Perlite, Phosphate, Potash-Potassium minerals, Pumice Quartz, Staurolite, Zeolites.

Companies in Madagascar first apply for an exploration mining permit with the BCMM, a government agency falling under the authority of the Minister of Mines. Permits under usual circumstances are generally issued within a month. The number of squares varies widely by claim number.

The updated Decret requires the payment of annual administration fees of Permits Research of 15,000 Ariary (MGA) for exploitation permits in years one and two. Annual fees increase by multiplying by a factor equivalent to the number of years (plus 1) that the company has held the permit. Exploration permits have an updated duration of five years, with the possibility of two renewals of an additional three years each. Payments of the administration fees are due each year on 31 March, along with the submission of an activity report. Each year the Company is required to pay a similar, although increasing amount to maintain the claims in good standing.

Reporting requirements of exploration activities carried out by the title holder on an Exploration Permit are minimal. A title holder must maintain a diary of events and record the names and dates present of persons active on the Project. In addition, a site plan with a scale between 1/100 and 1/10,000 showing "a map of the work completed" must be presented. CCIC is of the opinion that the Company is compliant in terms of its commitments under these reporting requirements.

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The Project has not been legally surveyed; however, since all claim boundaries conform to the pre-determined rectilinear LaBorde Projection grid, these can be readily located on the ground by use of Global Positioning System (“GPS”) instruments. Most current GPS units and software packages do not, however, offer LaBorde among their available options and therefore defined shifts must be employed to display LaBorde data in the WGS 84 system. For convenience, all the Company’s positional data is collected in WGS 84, and if necessary, converted back to LaBorde.

The Company’s Royalties

The Madagascar government retains a 2% gross revenue royalty, Vision Blue Resources Limited (“Vision Blue”) retains a 3% gross revenue royalty, and Malagasy retains a 1.5% net smelter return royalty on the Project.

Permits

Exploitation Permit PE #39807 (175 km²) and Exploration Permits PR #39806 and PR #39810 are held under the name of a subsidiary of the Company called ERG (Madagascar) Ltd. S.A.R.L.U. and were granted to the Company by the BCMM on February 14, 2019.

The Madagascar Ministry of Environment’s Office National pour l’Environnement (the National Office for the Environment) or “ONE”, granted the Company’s Environmental License for Phase 1 of the Molo Graphite Mine on April 8, 2019, after reviewing the following Exploitation Permit PE #39807:

- Environmental and Social Impact Assessment (“ESIA”) and Relocation Action Plan (“RAP”) to International Finance Corporation (“IFC”) Performance and World Bank Standards.
- Completion of local and regional stakeholder and community engagement, with overwhelming support from both the local community and local government, as well as regional government.
- Signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed.
- Approved capital investment certification from the BCMM.
- Receipt of Cahier des Charges Minière (mining specification) from the BCMM as pre-requisite to submitting the ESIA and RAP to ONE for review.
- Successful completion of the ONE’s technical evaluation process which consisted of a site visit and four separate community consultations.
- Joint agreement and signature of the Cahier des Charges Environnementales (environmental specification) with the ONE.
- Specific Environmental Management Plans (S/EMPs) are approved for the following Project components:
 - Relocation Action Plan and Livelihood Restoration Plan for Phase 1.
 - Thermal and Solar Self-Generation of Electricity for Phase 1.
 - The Development of Roads and Pipelines for Phase 1.
 - The Waste Management Plan for Phase 1.
- The approval of the following additional Specific Environmental Management Plans (S/EMPs) is pending:
 - The development of the Base Camp.
 - The development of the Processing Plant and associated buildings and structures.
 - The development of the Opencast Pit.
- The approval of the following additional permit is pending:
 - The Tree Removal Permit.
 - Industrial Operating License.
 - Building / Construction Permit.
 - Long-term Land Lease.
 - Agreement with the Port of Ehoala.

Geologic Setting and Mineralization

The Molo deposit occurs within the regional Ampanihy Shear Zone. The most conspicuous feature of rocks found within this shear zone is their well-developed north-south foliation and vertical to sub-vertical nature. Martelat et al. (2000) state that this observed bulk strain pattern is clearly related to a transpressional regime during bulk horizontal shortening of heated crust, which resulted in the exhumation of lower crustal material.

The Project area is underlain by supracrustal and plutonic rocks of late Neoproterozoic age that were metamorphosed under upper amphibolite facies and deformed with upright north-northeast-trending structures. The supracrustal rocks involve migmatitic (\pm biotite, garnet) quartzo-feldspathic gneiss, marble, chert, quartzite, and amphibolite gneiss. The metaplutonic rocks include migmatitic (\pm hornblende / diopside, biotite, garnet) feldspathic gneiss of monzodioritic to syenitic composition, biotite granodiorite, and leucogranite.

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Mineral Resource Estimate

Mineral Resources did not change as a result of the PEA and remain the same as disclosed in the FS.

The Project hosts the following resources:

- Measured mineral resource of 23.62 Mt grading 6.32% Carbon ("C").
- Indicated mineral resource of 76.75 Mt grading 6.25% C.
- Inferred mineral resource of 40.91 Mt at 5.78% C.

The effective date of the Mineral Resource tabulation is August 14, 2014. The Mineral Resources are classified according to the Canadian Institute of Mining, Metallurgy and Petroleum definitions. A cut-off grade of 4% C was used for the "higher grade" zones and 2% C for the "lower grade" zones. It is important to note that while the 'high' grade resource occurs within the 'low' grade resource, each was estimated and reported separately.

A relative density of 2.36t per cubic meter was assigned to the mineralized zones for the resource estimation. The resource remains open along strike and to depth.

The current MRE for Molo is summarized in Table 2 below. The mineral resources are classified in the Measured Indicated and Inferred categories as defined by the Canadian Institute of Mining, Metallurgy and Petroleum definition standards.

Table 2: Mineral Resource Statement for the Molo Graphite Deposit - September 2014

Classification	Material Type	Tonnes	Grade - C%	Graphite - T
Measured	"Low Grade"	13 048 373	4.64	605 082
Measured	"High Grade"	10 573 137	8.4	887 835
Total Measured		23 621 510	6.32	1 492 916
Indicated	"Low Grade"	39 539 403	4.73	1 871 075
Indicated	"High Grade"	37 206 550	7.86	2 925 266
Total Indicated		76 745 953	6.25	4 796 341
Measured + Indicated	"Low Grade"	52 587 776	4.71	2 476 157
Measured + Indicated	"High Grade"	47 779 687	7.98	3 813 101
Total Measured + Indicated		100 367 464	6.27	6 289 257
Inferred	"Low Grade"	24 233 267	4.46	1 080 677
Inferred	"High Grade"	16 681 453	7.70	1 285 039
Total Inferred		40 914 721	5.78	2 365 716

C% = carbon percentage; Graphite – T = Tonnes of graphite

Notes:

Mineral Resources are classified according to the Canadian Institute of Mining definitions.

"Low Grade" Resources are stated at a cut-off grade of 2% C.

"High grade" Resources are stated at a cut-off grade of 4% C.

Eastern and western high-grade assays are capped at 15% C.

A relative density of 2.36t per cubic meter (t/m^3) was assigned to the mineralized zones for the resource tonnage estimation.

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The total Measured and Indicated Resource is estimated at 100.37 Mt, grading at 6.27% carbon. Additionally, an Inferred Resource of 40.91 Mt, grading at 5.78% carbon is stated. When compared to November 2012 resource statement, (Hancox and Subramani, 2013), this shows a 13.7% increase in tonnage, a 3.4% decrease in grade and a 9.8% increase in graphite content.

The reason for the increase in tonnage is due to the 2014 drilling on the previously untested north-eastern limb of the deposit, which added additional new resources. Additionally, 23.62 million tonnes, grading at 6.32% carbon, have been upgraded by infill drilling from the Indicated to Measured Resource category.

Exploration

No further exploration is currently planned.

Metallurgical Test Work

The PEA is based on a full suite of metallurgical test work performed by SGS Canada Metallurgical Services Inc. in Lakefield, Ontario, Canada for the FS and remains the same for this PEA.

These tests included laboratory scale metallurgical work and a 200-tonne bulk sample / pilot plant program. The laboratory scale work included comminution tests, process development and optimization tests, variability flotation, and concentrate upgrading tests. Comminution test results place the Molo ore into the very soft to soft category with low abrasivity. A simple reagent regime consists of fuel oil number 2 and methyl isobutyl carbinol at dosages of approximately 120 g/t and 195 g/t, respectively. A total of approximately 150 open circuit and locked cycle flotation tests were completed on almost 70 composites as part of the process development, optimization, and variability flotation program.

The metallurgical programs culminated in a process flowsheet that is capable of treating the Molo ore using proven mineral processing techniques and its robustness has been successfully demonstrated in the laboratory and pilot plant campaigns.

The metallurgical programs indicated that variability exists with regards to the metallurgical response of the ore across the deposit, which resulted in a range of concentrate grades between 88.8% total carbon and 97.8% total carbon. Optical mineralogy on representative concentrate samples identified inter-layered graphite and non-sulphide gangue minerals as the primary source of impurities. The process risk that was created by the ore variability was mitigated with the design of an upgrading circuit, which improved the grade of a concentrate representing the average mill product of the first five years of operation from 92.1% total carbon to 97.1% total carbon.

The overall graphitic carbon recovery into the final concentrate is 88.3%.

The average composition of the combined concentrate grade is presented in Table 3. The size fraction analysis results were converted into a grouping reflecting a typical pricing matrix, which is shown in Table 4.

All assays were completed using control quality analysis and cross checks were completed during the mass balancing process to verify that the results were within the estimated measurement uncertainty of up to 1.7% relative for graphite concentrate grades greater than 90% total carbon.

Table 3: Metallurgical Data - Flake Size Distribution and Product Grade

Product Size	% Distribution	Product Grade (%) Carbon
+48 mesh (jumbo flake)	23.6	96.9
+65 mesh (coarse flake)	14.6	97.1
+80 mesh (large flake)	8.2	97.0
+100 mesh (medium flake)	6.9	97.3
+150 mesh (medium flake)	15.5	98.1
+200 mesh (small flake)	10.1	98.1
-200 mesh (fine flake)	21.1	97.5

Table 4: Pricing Matrix - Flake Size Distribution Grouping and Product Grade

Product Size	% Distribution	Product Grade (%) Carbon
>50 mesh	23.6	96.9
-50 to +80 mesh	22.7	97.1
-80 to +100 mesh	6.9	97.2
-100 mesh	46.8	97.6

Vendor testing including solid-liquid separation of tailings and concentrate, screening and dewatering of concentrate, and drying of concentrate was completed successfully.

Recovery Methods

The process design is based on an annual Phase 2 feed plant throughput capacity of 2,500,00 tpa at a nominal head grade of 6.16% C(t) producing an estimated average of 150,000 tpa of final concentrate.

The ore processing circuit consists of three stages of crushing which comprises jaw crushing in the primary circuit, followed by secondary cone crushing and tertiary cone crushing; the secondary and tertiary crushers operate in closed circuit with a double deck classification screen. Crushing is followed by primary milling and screening, graphite recovery by froth flotation and concentrate upgrading circuit by attritioning, and graphite product and tailings effluent handling unit operations. The crusher circuit is designed to operate 365 days per annum for 24 hours per day at ±55% utilization. The crushed product (P₈₀ of approximately 13 mm) passes through a surge bin from where it is fed to the milling circuit.

The milling and flotation circuits are designed to operate 365 days per annum for 24 hours per day at 92% utilization. A single stage primary ball milling circuit is employed, incorporating a closed-circuit classifying screen and a scalping screen ahead of the mill. The scalping screen undersize feeds into a flash flotation cell before combining with the mill discharge material. Scalping and classification screen oversize are the fed to the primary mill.

Primary milling is followed by rougher flotation which, along with flash flotation, recovers graphite to concentrate from the mainstream. Rougher flotation employs six forced-draught trough cells. The recovered concentrate is then upgraded in the primary, fine-flake and attritioning cleaning circuits to an estimated final product grade of above 94% C(t). The primary cleaning circuit consists essentially of a dewatering screen, a polishing ball mill, a column flotation cell and flotation cleaner / cleaner scavenger trough cells.

The primary cleaner column cell concentrate gravitates to a 212 µm classifying screen, from where the large-flake oversize stream is pumped to a high-rate thickener located in the concentrate attritioning circuit whilst the undersize is pumped to the fine-flake cleaning circuit.

The fine flake cleaning circuit consists primarily of a dewatering screen, a polishing ball mill, a column flotation cell and flotation cleaner / cleaner scavenger trough cells. The attritioning cleaning circuit employs a high-rate thickener, an attritioning stirred media mill, a column flotation cell and flotation cleaner/cleaner scavenger trough cells. Fine flake column concentrate is combined with the +212 µm primary cleaner classifying screen oversize as it feeds the attritioning circuit thickener. Concentrate from the attrition circuit is pumped to the final concentrate thickener.

The combined fine flake cleaner concentrate and the +212 µm may also be processed through the secondary attrition circuit which consists of a dewatering screen, an attrition scrubber, column flotation cell and cleaner scavenger trough cells. Concentrate from this circuit is pumped to the final concentrate. The secondary attrition circuit is optimal.

Combined rougher and cleaner flotation final tailings are pumped to the final tailings thickener. Thickened final concentrate is pumped to a filter press for further dewatering before the filter cake is stockpiled prior to load and haul.

The concentrate thickener underflow is pumped to a linear belt filter for further dewatering and fed to a diesel fired rotary kiln for drying. The dried concentrate is then screened into four size fractions:

- +48 mesh.
- -48 + 80 mesh.
- -80 +100 mesh.
- -100 mesh.

The various product sizes are bagged and readied for shipping.

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Chemical reagents are used throughout the froth flotation circuits and thickeners. Diesel fuel is used as collector and liquid Methyl Isobutyl Carbinol ("MIBC") is used as frother within the flotation circuits. Diesel collector is pumped from a diesel storage isotainer, from where it enters a manifold system which supplies multiple variable speed peristaltic pumps which discretely pump the collector at set rates to the various points-of-use within the flotation circuits.

MIBC frother is delivered by road to an isotainer. A manifold system on the storage isotainer supplies multiple variable speed peristaltic pumps, which discretely pump the frother at set rates to the various points-of-use within the flotation circuits.

Flocculant powder (Magnafloc 24) is delivered by road to the plant reagent store in 25 kg bags. The bags are collected by forklift as required and delivered to a flocculant mixing and dosing area. Here the flocculant is diluted as required using parallel, duplicate vendor package automated make-up plants, each one being dedicated to supplying the concentrate and tailings thickeners due to the flocculant types required being different for each application. Variable speed peristaltic pumps discretely pump the flocculant at set rates to the thickeners' points-of-use.

Coagulant powder (Magnafloc 1707) for thickening enhancement is handled similarly to the flocculant as described above, the exception being that a single make-up system is provided to supply both the concentrate and tailings thickeners. Again, variable speed peristaltic pumps discretely pump the coagulant at set rates to the thickeners' points-of-use.

Infrastructure

The Project is located in a relatively remote part of south-western Madagascar, approximately 13 km north-east of the local village of Fotadrevo. There is currently limited infrastructure on site and although some infrastructure will be built during Phase 1 of the Project additional infrastructure will be required. The following Project infrastructure will be required and/or will have to be upgraded.

The following elements are all part of the Project scope:

- Raw water supply will have to be increase from 3 to 21 bore holes extracting ground water.
- Power supply will have to be increased.
- Sanitation for the plant, permanent camp will have to be expanded.
- Storm water control and management will have to be expanded.
- All permanent buildings, (offices, workshops, ablution facilities), will have to be duplicated.
- A new mining workshop, product warehouse and reagent storage will have to be constructed.
- In plant roads.
- Haul road.
- Waste, high and low grade -Rock dumps.

Although the Phase1 plant is a small plant, some of the facilities in this plant could be leveraged, which will make construction of the Phase 2 plant significantly easier.

Geotechnical

The geotechnical investigation conducted by SRK Consulting in 2014 was used as reference document for the design and planning of this Phase of the Project. (Report 479297 / Plant Geotech / Final). This was augmented with reports from both Jones and Wagener (TN162-21-J335-00-Rev 0) and C.E.R.MAD (report number CER 21 10 Soil Stabilization) during construction of Phase 1.

In summary, transported soils are present across all areas investigated to shallow depths not exceeding a maximum depth of 0.6m. From the consistencies noted during test pit excavations the transported soils are anticipated to have a maximum allowable bearing capacity of 100 kPa, limiting total consolidation settlement to 25 mm.

Residual soils were noted in the majority of the test pits excavated and comprised dense to very dense silty and/or clayey sands. The residual soils are expected to have a maximum allowable bearing capacity of 200 kPa, limiting total consolidation settlement to 25 mm (differential settlement expected to be half this value). This could only be achieved though soil stabilisation with 5% cement added to the in-situ material.

As rock is located at a shallow depth at most locations it is recommended that structures generally be founded on rock rather than the overlying thin soils. However, light structures with loads of less than 100 kPa could be founded on the soils if necessary.

A suitable source of both backfills and aggregates need to be identified for Phase 2 of the Project.

Concrete

Concrete grades and mix design were selected taking into consideration durability requirements. Particular attention will be given to wet process plant areas and wash down slabs. All foundations were designed as pad, or raft type foundations with load bearing pressures not exceeding 150 kPa. Foundations were designed to minimize settlement.

Storm Water

Storm water that run-off within the process plant areas will be dealt with by a minimum slope on the terrace platform. Run-off is then collected in concrete lined V-drains.

Storm water within the process plant area will be collected through dedicated storm water containment channels and then handled accordingly.

Product Pricing

As an industrial mineral, flake graphite pricing is determined by three factors:

- Flake size.
- Carbon purity.
- Industry-specific technical attributes of the flakes (Benchmark, 2017a; Roskill, 2017).

Flake sizing is broadly classified into four ranges:

- Small (-100 mesh, or <75 µm)
- Medium (-80 to 100 mesh, or 75 µm to 180 µm)
- Large (-50 to 80 mesh, or 180 µm to 300 µm)
- Extra-large, or jumbo (+50 mesh, or >300 µm).

These flake sizes are in turn classified by carbon content ("C") and are typically sold in ranges of 88% to 93% C, 94% to 95% C and 95% to 97% C. The specific technical attributes of the flakes are then defined by end-user parameters such as expansion co-efficient, thermal and electrical conductivity and charge-discharge stability and efficiency. As the technical parameters sought by end-users are proprietary to their processes, pricing is not publicly available.

The selling price of US\$1,230.50 as outlined in Section 19.3 is the volume weighted average sales price for the various flake sizes and grades of graphite concentrate that are expected to be produced from the Molo deposit. This price used was based on current market prices provided by UK-based, commodity price reporting agencies Benchmark Minerals Intelligence and Fastmarkets, who are recognized as leaders in providing independent and unbiased market research, pricing trends and demand and supply analysis for the natural flake graphite market.

Logistics

The Port of Ehoala at Fort Dauphin is a modern (2009) port developed by Rio Tinto for the QMM Project. It has a 15m draft with shipping lines calling on a regular basis. There are, however, no crane facilities and vessels require their own cranes.

The following equipment is available at the port.

1 x 3.5T Telehandler.

5 x Trailers for container movement (2 x 40 ft, 3 x 20 ft).

1 x Tractor.

3 x Reach stackers 45T Capacity.

6 x Forklifts (1 x 2.5T; 2 x 5T; 3 x 7T).

The port is fenced and there is a security service (G4S) for port guarding day and night. Despite the presence of a national airport, the port of Ehoala is mainly connected to the hinterland destinations by road. All types of trucks can obtain access to the port and this berth for cargo off-loading. However, the majority are container trucks (20 ft and 40 ft).

CMA CGM is currently the only carrier who offers a service into Fort Dauphin from South Africa. CMA has a small feeder vessel who services the route from Durban to Fort Dauphin. This vessel is limited to a maximum of 45 TEU's per sailing. Sailings are every two weeks and for this reason, shippers are limited to 10 TEU's per booking and only on special request with sufficient notice will this be

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reconsidered by CMA. It must also be noted that bookings made in advance is subject to a cancellation fee if the booked space is not occupied.

Customs are available on site and clearance can be streamlined via pre-clearance in order to lessen standing time of the containers once arrived. It is to be noted that all cargo items imported into the Republic of Madagascar, needs to have a BSC online cargo tracking note. Failing to submit the BSC certificate, cargo cannot be cleared, and the shipment will be sent back to origin and be subject to a fine of US\$2,500 per bill of lading, plus regulations charges. All containers, vehicles, bulk commodities, including airfreight requires a BSC certificate.

The route from Molo to Fort Dauphin runs either via the RN 10, or the RN 13. Both these routes are in relatively poor condition and trucks are expected to take between four and five days to make the round trip. A truck was monitored over the route by a Madagascan trucking contractor to gauge cycle times and they managed to complete the journey in two days each way. This was in the dry season, in the wet season there may be periods of time when the roads become impassable. No money has been budgeted for roads repairs, or upgrades.

The rainy season in Madagascar starts is November to April, during this time transportation of cargo can be delayed for several weeks. Due to the poor road conditions, majority of cargo would have to be transported to site during the dry season. Cargo transport limitations include:

- 12m (L) x 3.5m (W) x 2.8m (H) at a maximum of 35T per 3-axle trailer.
- 12m (L) x 2.5m (W) x 3.5m (H) at a maximum of 26T per 2-axle trailer.

Cargo exceeding 4m width pose problems to transport due to the Manambaro Bridge, as there is no possibility to divert. Some access areas would also need to be adjusted for items holding a width of 2.3m to 3.6m. (Ex. Raft of Bevilana). Any cargo exceeding the above-mentioned limitations would have to be considered on a case-by-case basis prior to importation.

For cargo's exceeding 30T, a deviation to the right of Manambaro bridge is possible, however, this is subject to prior negotiations with the owners of the rice fields through which the possible deviation will have to run through.

Specialised trailers and equipment for transporting out-of-gauge items are limited. The design of equipment / plant would have to consider above mentioned limitations to ensure equipment can be transported to site from port.

CAPEX and OPEX

The Phase 2 construction costs are estimated at US\$155,851,935 including a 25% contingency. An additional US\$20,876,922 is estimated for initial working capital. Over the LoM, an additional US\$24,500,00M is estimated for sustaining capital and closure costs for equipment replacement and rehabilitation of the site at the end of the Project. The base date for the capital costs is January 2022 and no provision has been made for inflation. The accuracy of capital costs is considered to be within ±25%.

Table 5 summarizes the capital cost requirements.

Table 5: Capital Costs

Capital Cost Breakdown	Phase 2 Costs
Supply Items (Plant & Logistics)	US\$43,200,996
Non supply Items (Engineering & Management, Civil & Infrastructure, P&G, Mechanical erection)	US\$80,692,483
Sub Total	US\$123,893,479
Fees and Contingencies	US\$31,958,455
Construction CAPEX Total	US\$155,851,934
<i>Additional costs:</i>	
Initial working capital	US\$20,876,922
Sustaining costs over LoM and closure costs at end of project	US\$24,500,000

The average operating costs per tonne of graphite concentrate delivered on a FOB basis to the Port of Fort Dauphin, Madagascar, during the LoM is presented in Table 6.

Table 6: Operating Costs per Tonne of Finished Graphite Concentrate

Breakdown	Phase 2 OPEX
Mining (US\$/T)	US\$145.88
Processing (US\$/T)	US\$206.75
Trucking to local port / Ft. Dauphin (US\$/T)	US\$133.00
General and Administration (US\$/T)	US\$10.00
Total	US\$495.62

The reader should note that the estimated operating costs per tonne assume that the processing plant can successfully handle the variability in the ore body. As demonstrated by the SGS test work that is discussed in detail in Section 13 of the PEA, there is a risk that:

- The flake size distribution could be worse than expected.
- The product grade could be lower than expected.
- The recoveries could be lower than expected
- Combination of all of above.

If the plant does not perform as expected, this could have a material impact on operating costs.

Economic Analysis

The economic analysis of Phase 2 revenues, operating and capital costs over a 26 LoM using discounted cash flow methods is summarized in Table 7 below. All values are expressed in millions of US\$.

Table 7: Economic Analysis of the Project

Metric	Values
Before tax and royalties	
Total Project Cash Flows ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾	US\$2,718.1 million
NPV @ 8%	US\$904.8 million
NPV @ 10%	US\$716.7 million
NPV @ 12%	US\$574.4 million
IRR	40.4%
Payback Period	3.18 years
After tax and royalties	
Total Project Cash Flows ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	US\$1,884.9 million
NPV @ 8%	US\$593.0 million
NPV @ 10%	US\$459.3 million

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Metric	Values
NPV @ 12%	US\$358.2 million
IRR	31.4.0%
Payback Period	3.74 years

Note

(1) Assumes Project is financed with 100% equity.

(2) Capex includes process equipment, civil and infrastructure, mining, buildings, electrical infrastructure, project and construction services.

(3) Assumes 2% government gross revenue royalty, 3% Vision Blue gross revenue royalty, 1.5% NSR royalty and corporate tax rate of 20%.

(4) Assumes no inflationary adjustments in sales price, or operating costs.

(5) Based on current market prices provided by UK-based commodity price reporting agencies Benchmark Minerals Intelligence and fast markets.

Environmental and Permitting

The Madagascar Ministry of Environment’s Office National pour l’Environnement (the National Office for the Environment) or “ONE”, granted the Company its Environmental License for Phase 1 of the Molo Graphite Mine on April 8 2019 after reviewing the following:

- Exploitation Permit PE #39807.
- Environmental and Social Impact Assessment (“ESIA”) and Relocation Action Plan (“RAP”) to International Finance Corporation (“IFC”) Performance and World Bank Standards.
- Completion of local and regional stakeholder and community engagement, with overwhelming support from both the local community and local government, as well as regional government.
- Signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed.
- Approved capital investment certification from the BCMM.
- Receipt of Cahier des Charges Miniér (mining specification) from the BCMM as pre-requisite to submitting the ESIA & RAP to ONE for review.
- Successful completion of the ONE’s technical evaluation process which consisted of a site visit and four separate community consultations.
- Joint agreement and signature of the Cahier des Charges Environnementales (environmental specification) with the ONE.

Specific Environmental Management Plans (S/EMP’s) are approved for the following Project components:

- RAP and Livelihood Restoration Plan (“LSP”) for Phase 1.
- Thermal and solar self-generation of electricity for Phase 1.
- The development of roads and pipelines for Phase 1.
- The waste management plan for Phase 1.
- The approval of the following additional S/EMPs is pending:
 - The development of the base camp.
 - The development of the processing plant and associated buildings and structures.
 - The development of the opencast pit.
- The approval of the following additional permits is pending.
 - The Tree Removal Permit.
 - Industrial Operating License.
 - Building / Construction Permit.
 - Long-term Land Lease.
 - Agreement with the Port of Ehoala.

Environmental and Social Impact Assessment

A comprehensive Environmental and Social Impact Assessment was completed and submitted to Malagasy government as part of the Environmental Permit process.

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Early integration of environmental and social sensitivities and risks ensured that the final impact assessment component revealed that there are no fatal flaws from an environmental and social perspective. The significance levels of impacts range from minor to major before any mitigation measures are applied and from minor to average with mitigation measures included. Notably, all major risks require significant reduction in risk via stringent controls. These controls have been incorporated into the Project design and planning with additional operational controls specified within the various environmental and social management plans.

To this end, the ESIA contains a chapter which details specific management measures which either remove the risks completely, or reduce their significance to an acceptable level.

In addition, each specific environmental and social component has a prescribed monitoring plan which will be followed during each Project developmental phase. This is aimed at monitoring compliance against various specifications such as the baseline environment and predicted impact removal and reduction measures.

Conclusions

Geology

The Company's 2011 exploration programme delineated a number of new graphitic trends in southern Madagascar. The resource delineation drilling undertaken during 2012-2014 focussed on only one of these, the Molo Deposit, and this has allowed for an Independent, CIM compliant, updated resource statement for the Molo deposit.

The total Measured and Indicated Resource is estimated at 100.37 Mt, grading at 6.27% C. Additionally, an Inferred Resource of 40.91 Mt, grading at 5.78% C is stated. When compared to the November 2012 resource statement (Hancox and Subramani, 2013), this shows a 13.7% increase in tonnage, a 3.4 % decrease in grade, and a 9.8% increase in graphite content. The reason for the increase in tonnage is due to the 2014 drilling on the previously untested north-eastern limb of the deposit, which added additional new resources. Additionally, 23.62 Mt, grading at 6.32% Carbon, have been upgraded by infill drilling from the Indicated to Measured Resource category.

Tailings

Tailings will be dried and co-disposed with the waste rock generated as part of the open cast mining and on the same basis as Molo phase 1. In the next phase of the study a detailed design will be completed, complete with environmental and social impact assessment and closure.

Risks

In addition to the qualitative risk assessment completed during the Molo 2015 FS, a comprehensive HAZOP study was completed as part of the FS. The outcomes of that also informs this PEA study

Permitting

The Mining and Environmental Permits have been obtained for the Phase 1 Project, with most supplementary sectoral permits obtained, and the remainder pending final approval for Phase 1.

Metallurgical Test Work

Comprehensive metallurgical test programs culminated in a process flowsheet that can treat the Molo ore using conventional and established mineral processing techniques.

Process risks associated with the variability with regards to metallurgical performance have been mostly mitigated through the addition of an upgrading circuit. The upgrading circuit treated the combined concentrate after the secondary cleaning circuit. Reduced flake degradation and an improved process flexibility may be obtained by employing separate upgrading circuits for the coarse and fine flakes.

Recommendations

Geology

No further recommendations.

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Mining Recommendations and Concluding Report

The mine planning scenarios described in this section have included Inferred Resources in the conceptual mine planning. While the Inferred Resource is included in the pit optimisation models, the percentage of the ore considered to be associated with an Inferred Resource is 14.6% in Scenario 1 and 7.2% in Scenario 2. This renders the Inferred Resource category as a minor contributor to the total mineable ore. To provide more confidence to the Mineral Resource estimate, infill drilling is recommended.

The open pit mining operations were planned by utilising both the unconstrained (Scenario 1) and constrained (Scenario 2) LoM production scenarios. Both scenarios indicate that a 150 ktpa carbon concentrate plant can be sustainably supported by the orebody over the planned LoM period.

Metallurgical Test Work

No further test work was carried out for this Phase of the study

Investigate the metallurgical impact of different attrition mill technologies such as stirred media mills, or attrition scrubbers.

Evaluate a range of different grinding media (e.g. different size, shape, material) to determine if flake degradation can be reduced without affecting the concentrate grade.

Develop a grinding energy versus concentrate grade relationship for the best grinding media. This will allow a more accurate prediction of the required attrition mill grinding energy as a function of the final concentrate grade.

Conduct attrition mill vendor tests to aid in the sizing of the equipment.

Carry out vendor testing on graphite tailings using the optimized reagent regime proposed by the reagent supplier.

Complete a series of flotation tests on samples covering mine life intervals for the PEA pit design.

Recovery Methods

No further recommendations.

Infrastructure

The following are recommended prior to the detailed design stage:

A detailed geotechnical investigation will need to be undertaken to identify and confirm suitable sources of concrete aggregate and backfill material. This testing will need to include for concrete material testing and the production of concrete trial mixes with the material identified

A detailed topographical survey will need to be undertaken of the proposed construction site, borrow pit areas and the access road between Fotadrevo and the mine site. This information is required prior to the final detailed design of the plant layout and associated earthworks

Water

The following is recommended during the detailed design phase:

Water quality and quantity data is required to provide a baseline for comparison once the Molo mine is commissioned. To provide the necessary baseline data, regular ground and surface water quality monitoring must be carried out leading up to the date when the Molo mine will be commissioned. Additional production and monitoring boreholes must be installed. This also should include the installation of flow meters on relevant pipelines to verify the dynamic water balance with measured flow rates during operations.

The installation of a weather station on the Project site should be done as soon as possible.

Quantitative and predictive water balance, ground water and geochemical analyses should be undertaken on regular intervals to update the water management plan.

Environmental, Social

The installation of a suitable weather station at/or as near as possible to the proposed Project site, even before construction commences, is recommended. Accurate, local weather data is almost non-existent in Madagascar. This data will prove invaluable for model calibration, improvement in baseline understanding and for future energy supply options which could utilize wind and/or solar power generation.

Clean and/or renewable energy supply should be considered as a medium to long term target.

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Appointment of a community representative and the establishment of a mandate to sensitize the local communities prior to any Project activities.

Monitoring and auditing to commence at Project preparation phase.

Compilation of Standard Operating Procedures (“SOP”) for Environmental and Social aspects requiring direct management and intervention.

It is recommended that actual activity data, (e.g., kilometer’s travelled, or liters of diesel consumed) for a financial year is used when a GHG Assessment is being calculated.

Community recruitment, skills development and training should begin at Project preparation phase.

Permitting

Security of land tenure is a process and is estimated to take 6 to 9 months, thus this process should be commissioned as early as possible. The total area concerned is anticipated to be sufficient for the proposed Phase 2 expansion.

Application for all other necessary permits, (water use, construction, mineral processing, transportation, export, labour and so forth should be undertaken prior to the Phase 2 expansion.

Compilation of a comprehensive legal register.

Application for an amendment of the requisite environmental and construction approvals would be required for the Phase 2 expansion.

SCHEDULE “B” – AUDIT COMMITTEE CHARTER

A. Purpose: Responsibilities and Authority

The audit committee (the “Audit Committee”) shall carry out its responsibilities under applicable laws, regulations, and stock exchange requirements with respect to the employment, compensation and oversight of the Company’s independent auditor, and other matters under the authority of the Audit Committee.

The Audit Committee shall also assist the Board in carrying out its oversight responsibilities relating to the Company’s financial, accounting and reporting processes, the management of financial and non-financial risks, the Company’s system of internal accounting and financial controls, the Company’s compliance with related legal and regulatory requirements, and the fairness of transactions between the Company and related parties.

In furtherance of this purpose, the Audit Committee shall have the following responsibilities and authority:

(a) ***External Auditors.***

- (i) The Audit Committee shall recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review, or attest services for the Company, and shall set the compensation for the external auditor and shall ensure that the external auditor reports directly to the Audit Committee.
- (ii) The Audit Committee shall be directly responsible for overseeing the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- (iii) The Audit Committee shall review the external auditor’s audit plan, including scope, procedures, and timing of the audit.
- (iv) The Audit Committee shall pre-approve all non-audit services to be provided by the external auditor.
- (v) The Audit Committee shall review and approve the Company’s hiring policies regarding partners, employees and former partners and employers of the present and former external auditor.
- (vi) The Audit Committee shall review fees paid by the Company to the external auditor and other professionals in respect of audit and non-audit services on an annual basis.

(b) ***Financial Reporting and Internal Controls.***

- (i) The Audit Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with generally accepted accounting principles, that the information contained therein is not erroneous, misleading, or incomplete and that the audit function has been effectively carried out.
- (ii) The Audit Committee shall report to the Board with respect to its review of the annual audited financial statements and recommend to the Board whether same should be approved prior to their being publicly disclosed.
- (iii) The Audit Committee shall review the Company’s annual and interim financial statements, management’s discussion and analysis relating to annual and interim financial statements, and earnings press releases prior to any of the foregoing being publicly disclosed by the Company.
- (iv) The Audit Committee shall satisfy itself that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements other than the disclosure referred to in Section (b)(iii) of this Charter, and periodically assess the adequacy of these procedures.
- (v) The Audit Committee shall oversee the preparation of reports relating to the Audit Committee required under applicable laws, regulations and stock exchange requirements.

- (vi) The Audit Committee shall oversee any investigations of alleged fraud and illegality relating to the Company's finances.
 - (vii) The Audit Committee shall establish whistleblowing procedures for: (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (2) the confidential, anonymous submission by employees of the Company or concerns regarding questionable accounting or auditing matters.
- (c) ***Risk Management***
- (i) The Audit Committee shall meet no less frequently than annually with the external auditor and the Chief Financial Officer to review accounting practices, internal controls, management information systems, cybersecurity, auditing matters and such other matters as the Audit Committee deems appropriate.
 - (ii) The Audit Committee shall inquire of management and the external auditor regarding significant financial and non-financial risks or exposures to which the Company may be subject and shall assess the adequacy of the steps that management has taken to minimize, manage and respond to such risks.
 - (iii) The Audit Committee shall discuss with management and the external auditor any correspondence with regulators or governmental agencies and any employee complaints or reports which raise material issues regarding the Company's financial statements or accounting policies.
 - (iv) The Audit Committee shall oversee the internal audit functions (as applicable).
 - (v) The Audit Committee shall exercise oversight with respect to whistleblower and anti-fraud programs and controls.
 - (vi) The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
 - (vii) The Audit Committee shall review the availability and or adequacy of insurance coverage for insurable risks.
 - (viii) The Audit Committee shall review legal and regulatory compliance matters that could have a material impact on the Company's business, operations or financial statements.
- (d) ***Additional Responsibilities and Authority***
- (i) The Audit Committee shall have the authority to: (i) to engage independent counsel and other advisors as it determines necessary to carry out its duties, (ii) to set and pay the compensation for any advisors employed by the Audit Committee, and (iii) to communicate directly with the internal (as applicable) and external auditors.
 - (ii) The Audit Committee shall perform any other responsibilities consistent with this Charter and any applicable laws as the Audit Committee or Board deems appropriate.
 - (iii) Conduct an annual performance evaluation of the Audit Committee and identify opportunities for improved effectiveness.

B. Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the external auditor.

C. Structure and Membership

a. Number and minimum qualifications

The Audit Committee shall consist of a minimum of three persons.

All members of the Audit Committee shall meet the experience and financial literacy requirements of National Instrument NI 52-110 and the rules of the Toronto Stock Exchange.

b. Independence Requirements

All the members of the Audit Committee shall be “independent” as required for audit committees by National Instrument 52-110 and the rules of the Toronto Stock Exchange.

c. Financial Literacy

National Instrument 52-110

Section 3.1(4) states that each audit committee member must be financially literate.

Section 1.6 defines the meaning of financial literacy as follows:

“For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer’s financial statements.”