



NextSource Materials Inc.

Management's Discussion and Analysis (MD&A)

For the three months ended September 30, 2024, and 2023

Expressed in US Dollars

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A 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, 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 EIA process (as defined herein) to enable construction of the Mauritius BAF; 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; 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 continue to operate the Molo Graphite Mine and export products from Madagascar; additional permits and licenses are necessary to complete 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 mineral property assets will not achieve forecast production capacities or achieve commercial production; 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 exploration and development industry and risks specific to the Company, including the risk factors identified elsewhere in the annual information form of the Company dated September 30, 2024 (the "AIF") and in this 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 MD&A, 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 key 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 MD&A 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 MD&A 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 true, the Company 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 MD&A 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 MD&A under applicable Canadian securities laws.

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

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated November 11, 2024 of NextSource Materials Inc. ("NextSource", "we", "our" or "the Company") should be read in conjunction with the Company's Condensed Interim Consolidated Financial Statements for the Three months ended September 30, 2024 and 2023 (the "Financial Statements") that were prepared in accordance with IFRS Accounting Standards ("IFRS") applicable to the preparation of interim financial statements under International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"), (the "Financial Statements") that were filed on the Canadian Securities Administrators' SEDAR+ website at www.sedarplus.ca. This MD&A should also be read in conjunction with the Company's Management's Discussion and Analysis and Audited Consolidated Financial Statements for the years ended June 30, 2024, and 2023 and the AIF that were filed on the Canadian Securities Administrators' SEDAR+ website at www.sedarplus.ca.

The Financial Statements and this MD&A are presented United States dollars ("USD" or "\$") and all units of measurement are expressed using the metric system, unless otherwise specified. Certain information in this MD&A is presented in Canadian dollars ("CAD\$").

The Company's financial year is from July to June and spans across **two** calendar years. The following table indicates the corresponding calendar periods for the 2025 financial year of the Company:

Reporting Period of the Company	Calendar months
Q1 2025	July 1, 2024, to September 30, 2024.
Q2 2025	October 1, 2024, to December 31, 2024.
Q3 2025	January 1, 2025, to March 31, 2025.
Q4 2025	April 1, 2025, to June 30, 2025.

E.g., When the Financial statements and MD&A refers to *Q3 2025*, it will be consistent with the reporting period of the Company which corresponds to the calendar period January 1, 2025, to March 31, 2025, *and not* the calendar period July 1, 2025, to September 30, 2025.

Additional information relating to the Company is available on the Canadian Securities Administrators' (the "CSA") SEDAR+ website at www.sedarplus.ca.

EXECUTIVE SUMMARY

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.

Business Strategy

Globally ready access to critical minerals and supply shortages are imminent, as Companies work to achieving zero emissions targets, as a result of long lead time and intensive capital required to develop new mining operations. Graphite is at the forefront with market analysts estimating that more than 300 new graphite mines will need to be built by 2035 to meet the demand for electric vehicles and energy storage batteries. Currently, there are around 70 graphite mines in operation, concentrated in China.

Market studies suggest that >95% of the anode of a lithium-ion battery comprises graphite. According to market analysts, global battery demand is expected to quadruple between 2023 and 2030, and that lithium-ion batteries will remain the dominant technology for the foreseeable future, with nickel-manganese-cobalt (NMC) and lithium-iron-phosphate being the most common cathode chemistries.

Over and above the expected growth in battery demand for electric vehicles, the EU and USA are set on securing a sustainable supply of critical battery materials and lower dependency on imports from single country suppliers through the European Raw Materials Act and the US Inflation Reduction Act (IRA). The IRA restricts the use of critical materials from "foreign entities of concern" (FEOC) which includes China, Iran, North Korea and Russia.

With China estimating to dominate >75% of the current graphite supply chain, auto manufacturers (OEMs) will need to diversify supply chains with sourced materials from non-FEOC jurisdictions to meet EV production targets while securing IRA tax credits. The combination of the graphite demand growth and geopolitical shift to non-FEOC sources provides a unique opportunity for a vertically integrated anode supplier in the years to come.

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The Company is intent on becoming a vertically integrated global supplier of battery materials through the mining and value-added processing of its proprietary SuperFlake® graphite concentrate and potentially other battery minerals from non-FEOC's. The Company's near-term focus is the development and operation of the Molo Graphite Mine in Madagascar and in the medium term has announced plans to build the first of several battery anode facilities ("BAFs") in Mauritius.

Mineral Properties

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 material mineral property.

The Company also owns the Green Giant Vanadium Project, located in Madagascar, and the Sagar Project, located in Quebec, both of which are at the exploration and evaluation stage. Although these projects are of interest to the Company, there are no current development plans and therefore are not considered material to the Company.

Molo Graphite Mine

The Company is developing and operating the Molo Graphite Mine (the "Molo Mine," "Molo") located near the town of Fotadrevo in the Province of Toliara, Madagascar, which is the Company's material mineral property. Over 300 km of linear graphite mineralization has been identified on the Company's property surrounding the Molo project, providing unlimited expansion opportunity to meet potential global demand. On December 12, 2023, the Company announced the results of a technical study for a proposed expansion of the Molo Mine ("Molo Phase 2") up to a production capacity of 150,000 tpa of SuperFlake® graphite concentrate.

In 2019, the Company received a 40-year mining license for the Molo property, located in southern Madagascar, which does not limit mining to any specific volume. The Company announced the commencement of construction of Phase 1 of the Molo Mine and processing facility with a production capacity of 17,000 tonnes per annum ("tpa") of SuperFlake® graphite concentrate in early 2021 and began capitalizing mine development costs. Phase 1 is powered by a solar-hybrid power plant (solar + battery energy storage) and is expected to reduce CO2 emissions by over 11,300 tonnes/year. Molo is accessible by an all-weather airstrip and a network of regional roads, which allows access to the ports of Toliara and Ehoala at Fort Dauphin.

On March 23, 2023, the Company announced the initiation of commissioning activities for Phase 1 and announced production of the first tonne of SuperFlake® graphite concentrate on June 22, 2023. As of June 30, 2024, the Molo Mine has not met the commercial production threshold and as a result, the Molo Mine and processing plant are still classified as an asset-under-construction and commissioning costs are being capitalized.

Molo 1 has steadily been ramped up and on October 24, 2024, the Company completed its first commercial shipments of SuperFlake® graphite concentrate to customers in Germany and the United States of America under the existing off-take agreements. The off-take agreements are long-term with established industrial partners that account for more than 100% of the expected Phase 1 production of SuperFlake® graphite concentrate.

For additional information with respect to the Molo Graphite Mine, readers are referred to the AIF, and in particular Schedule "A" thereto, 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), and the "Risk Factors" section of the AIF.

Battery Anode Facilities

The BAFs are value-added processing facilities that are capable of converting flake graphite into spheronized, purified graphite ("SPG") and coated, spheronized, purified graphite ("CSPG"), which forms the anode material that is assembled along with cathode material into lithium-ion batteries used in electric vehicles ("EV"). BAFs are not considered "mineral projects" as defined in NI 43-101, and the Mauritius BAF Technical Study and any similar studies to be completed by the Company are not and will not be "technical reports" for the purposes of NI 43-101 but instead are preliminary economic and technical studies relating to the design, construction and operation of the Mauritius BAF and potential other BAFs.

The Company has an exclusive license to proprietary and well-established graphite processing technology, through a 2% technology licensing royalty that includes the design and development of the BAF process flowsheets, sourcing of all necessary equipment, and provision of all necessary training and operational expertise to operate the facility. The innovative design is currently used to supply SPG to major OEMs. The Company also has an agreement with a graphite trader for the international sale of the products. The sales partner will receive a 3% sales commission for leveraging its international relationships and acting as a sales, marketing, and trading agent of our BAF products.

The Company announced on February 28, 2023, its strategy for the staged buildout of BAFs in key jurisdictions, starting with Mauritius.

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The highlights of the BAF strategy are as follows:

- Leverage the exclusive technology and sales partnership to construct BAFs in key international jurisdictions. For the three months ended September 30, 2024, the Company invested \$11,965,233 (June 30, 2024: \$9,492,982) in the manufacturing of BAF process equipment through its technology partner. This process equipment is transportable and can be shipped and installed in any suitable BAF location.
- Secured a property lease for the construction of the first BAFs in Mauritius ("the Mauritius BAF") due to its proximity to the Molo Graphite Mine in Madagascar and its strategic position along international shipping routes from Europe to Asia.
- Evaluation of the potential construction of a BAF in North America (a "North America BAF") has involved the evaluation of suitable sites in Canada and the USA, and the application for various financial loans and grants offered under Canadian federal and provincial programs and under the U.S. Inflation Act (the "IRA").
- Evaluation of the potential construction of a BAF's in the Middle East.
- Evaluation of long-term offtake agreements and strategic partnerships for the production and supply of spheronized (SPG) and purified graphite ("PG") to existing OEM battery manufacturers that may involve a strategic investment in the Company.

The BAFs will source flake graphite concentrate from the Molo Graphite Mine and, if required and where appropriate, from qualified flake graphite feedstocks of third parties.

See "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors*" in the 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.

OUTLOOK AND MILESTONES

Executive Changes

On November 1, 2024, further to the announcement on May 28, 2024, Hanré Rossouw, officially assumed his role as President and CEO of the Company. Former President and CEO, Craig Scherba, assumed the newly created role of Chief Development Officer to focus on developing strategy, managing offtake negotiations and expanding the Company's OEM relationships globally. Mr Scherba will remain a director on the Board of the Company.

Financing

On October 11, 2024 the Company closed a non-brokered private placement offering of 27,728,100 common shares of the Company at a price of CAD\$0.53 per share for aggregate gross proceeds of CAD\$14,695,893. Vision Blue Resources Limited purchased 15,582,300 Shares under the Offering for a total subscription price of CAD \$8,258,619, with significant new and existing shareholders of the Company representing the remaining investors. Finder fees were paid in relation to the Offering, consisting of CAD \$61,266.

The net proceeds of the Offering are intended to be used primarily to progress the Company's strategy of a staged rollout of Battery Anode Facilities (BAF) to produce active anode material for EV batteries. Certain proceeds will also be used at the Molo Mine in connection with Phase 2 expansion, working capital requirements as well as general and administrative expenses.

Technical, social, legal and environmental due diligence associated with the mandate letter signed on June 13, 2024, between the Company and the International Finance Corporation ("IFC"), the private sector investment arm of the World Bank Group continued during the reporting period and is still expected to be completed in the 2025 calendar year. According to the mandate letter the IFC will lead a senior debt facility totaling US\$91 million (the "IFC Debt Facility") to fund Molo Phase 2. The IFC Debt Facility would fund approximately 50% of the capital costs and working capital requirements for the mine expansion to a total production capacity of 150,000 tpa of SuperFlake® graphite concentrate. The IFC has provided indicative financial terms to lead the coordination of the overall debt syndicate with other select commercial banks and development finance institutions.

Molo Graphite Mine – Molo Phase 1

The Company is currently not providing any forward guidance on production volumes, revenues, or operating costs for the Molo Graphite Mine.

Since announcing the completion of construction and the initiation of the plant commissioning process on March 23, 2023, and the production of SuperFlake® graphite concentrate in June 2023, the Company has progressed methodically through debottlenecking and optimization activities. The optimization activities included a third-party assessment in 2023 that led to the replacement of the final product dryer equipment and finished-product screens.

Changing ore characteristics have introduced additional challenges in ramping up the plant to name-plate capacity. The Company is in the process of changing the mine plan and mining configuration and increasing the mining rate to establish blending stockpiles ahead of the processing plant. The aim is to reduce the variability of ore supplied into the processing plant to facilitate stable plant operations and improve utilization within the milling and flotation circuit. The Company believes these improvements will enable commercial production to be declared in Q2 2025.

In October 2024, the first full container loads of high-quality, on specification, coarse flake graphite concentrate was exported from the Port of Tulear, Madagascar to Germany and to the United States of America under the existing offtake agreements. These initial container shipments of SuperFlake® graphite are destined for key demand markets for higher value graphite products, including refractory materials and graphite foils for consumer electronics and fire-retardant applications.

The Company has produced SuperFlake® graphite concentrate with a carbon (C) content of over 95% and completed the shipments of qualifying material to our BAF Technology Partner for qualifying tests and conversion into CSPG.

The Company is working to achieve the following Molo milestones during the 2025 financial year:

- Ramp-up of Molo production capacity to 17,000 tpa of SuperFlake® graphite concentrate
- Declaration of commercial production.

Molo Graphite Mine Expansion – Molo Phase 2

On December 12, 2023, the Company announced the results of the "Molo Graphite Mine Expansion NI 43-101 Technical Feasibility Study Report 2023 prepared by Erudite Strategies (Pty) Ltd" (the "Feasibility Study") for a proposed expansion of the Molo Mine up to a

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production capacity of 150,000 tpa of SuperFlake® graphite concentrate. Readers should refer to the Feasibility Study for details and assumptions relating to the Molo Mine mineral resource and reserve estimates and data verification procedures. The Company has initiated the environmental permitting process for Molo Phase 2. However, the decision to commence construction of the expansion will be subject to customary Board approval and only once a binding offtake agreement for the expanded capacity has been secured as well as sufficient funding for construction costs and working capital.

As mentioned under *Financing*, the Company announced the signing of a mandate letter with the International Finance Corporation on June 13, 2024, to lead a senior debt facility totaling US\$91 million to partially fund an expansion of the Molo Mine. The debt facility is subject to completion of customary technical, social, legal and environmental due diligence which has been ongoing.

Mauritius Battery Anode Facility

The Mauritius BAF is intended to have an initial production capacity of 3,600 tpa of SPG and/or CSPG. Long-lead equipment and the main process equipment ordered in the 2024 financial year was received during Q1 2025. The total amount invested in the equipment as at September 30, 2024 was \$11,965,233 compared to \$9,492,982 as at June 30, 2024.

The initiation of construction activities is subject to the completion of a prescribed environmental impact assessment (“EIA”) process, completion of the front-end engineering and design (“FEED”) and obtaining all necessary construction and operating permits. The EIA process remains ongoing. If the Company fails to secure the necessary permits by December 1, 2024, the Company has the option to terminate the Port Louis industrial lease at no further cost; under this scenario the delivered BAF equipment is transportable and can be assembled in any suitable location.

Other Battery Anode Facility Initiatives

On June 27, 2024, the Company announced the results of a conceptual design and an AACE Class 5 evaluation to develop a BAF in the Kingdom of Saudi Arabia capable of initially producing 20,000 tpa of CSPG increasing to 100,000 tpa through staged expansions. This signifies an initial step into the Middle East.

The Company is working to achieve the following BAF milestones during the 2025 financial year:

- Securing a long-term partnership and offtake agreement for SPG, CSPG, and other natural graphite anode products with known battery manufacturers
- Conclusion of EIA for the Mauritius BAF
- Further evaluation of BAF's in the Middle East.

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RESULTS OF OPERATIONS

The Company has two operating segments, consisting of mine development and BAF development. No commercial revenues have been generated by the Company. The Company's President and Chief Executive Officer and Chief Financial Officer are the operating decision-makers and direct the allocation of resources to its segments.

Financial Results for the three months ended September 30, 2024, and 2023.

	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Mine	BAF	Total	Mine	BAF	Total
Revenues	\$ -	\$ -	\$ -	\$—	\$—	\$—
Expenses						
Operating expenses	-	-	-	-	-	-
Exploration and evaluation expenses	3,204	-	3,204	9,960	-	9,960
Lease finance costs	-	343,109	343,109	10,212	308,566	318,778
Depreciation	-	134,519	134,519	198,646	122,154	320,800
Impairment of VAT receivable	407,070	-	407,070	477,333	-	477,333
Segment loss	(410,274)	(477,628)	(887,902)	(696,151)	(430,720)	(1,126,871)
Other Operating Expenses						
General and administrative expenses			(2,678,782)			(1,278,982)
Share-based compensation			95,780			-
Depreciation			(2,181)			(7,260)
Foreign currency translation loss			(128,609)			(786,029)
Interest income			53,769			338,515
Change in value of lease liability			(25,761)			294,074
Change in fair value of commercial production obligation			824,066			-
			23,534			46,362
Loss before income taxes			(2,726,086)			(2,520,191)
Current income tax expense			(77,614)			-
Net loss			(2,803,700)			(2,520,191)
Other comprehensive income						
Items that will be reclassified subsequently to net loss						
Translation adjustment for foreign operations			(460,264)			(26,238)
Net loss and comprehensive loss			(3,263,964)			(2,546,429)

Discussion of the three months ended September 30, 2024, and 2023.

Net loss and comprehensive loss increased to \$3,263,964 (2023: \$2,546,429) due to the following factors:

- Mine expenditures decreased to \$410,273 (2023: \$685,939) due to:
 - Exploration and evaluation expenditures decreased to \$3,204 (2023: \$9,960).
 - Depreciation decreased to \$ nil (2023: \$198,646) due to depreciation being capitalized as part of the costs incurred related to the commissioning of the Plant at the Molo Mine.
 - The impairment of VAT receivables decreased to \$407,070 (2023: \$477,333) due to lower qualifying spend in Madagascar. The impairment of the receivable is due to the uncertainty relating to the recoverability of the VAT under Madagascar Law.
- BAF expenditures increased to \$134,519 (2023: \$122,154) due to increased depreciation of the Mauritius BAF lease right of use asset associated with the Port Louis lease. The larger Port Louis property in contrast to the Jin Fei property, results in a higher asset and accordingly a higher depreciation charge. Lease finance costs increased to \$343,109 (2023: \$308,566) due to the accretion of the lease liabilities related to the Mauritius BAF lease.
- General and administrative expenses increased to \$(2,678,782) (2023: \$1,278,982) due to:

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- Payroll and management compensation fees increased due to an expansion of management and administrative employees associated with the larger organization aimed at executing the vertically integrated business strategy. Increases also include a non-recurring severance package paid out.
- External consulting fees increased as a result of due diligence work performed related to Molo Phase 2, including consulting fees related to the establishment of a logistics function to manage future sales.
- Professional fees increased due to executive recruiting fees incurred related to the expansion of the executive management team, coupled with increases related to audit fees and legal fees related to statutory compliance and inflationary increases.
- Share-based compensation gain of \$95,780 (2023: \$nil) is due to the change in accounting treatment and remeasurement of the cash settled RSU's.
- Amortization of corporate assets decreased to \$2,181 (2023: \$7,260).
- The foreign currency translation loss was \$128,609 (2023: \$786,029), associated with fluctuations in exchange rates.
- Interest income decreased to \$53,769 (2023: \$338,515) as a result of a decrease in available cash balances.
- Changes in the values of the commercial production obligation and royalty obligation period over period are related to the remeasurement of these items as a result of changes in the size and timing of the estimated cash flows.

STATEMENT OF FINANCIAL POSITION

Cash and Cash Equivalents

The Company's cash balances are deposited with major financial institutions in Canada and with reputable financial institutions in Madagascar and Mauritius. Limited amounts of cash are held in Madagascar and Mauritius.

Cash and cash equivalents	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
As at September 30, 2024	2,726,370	280,169	626,418	3,632,957
As at June 30, 2024	9,754,055	325,052	691,274	10,770,381

Amounts Receivable

Amounts receivables decreased to \$240,144 (June 30, 2024: \$427,977) and consisted mainly of sales tax receivables in Canada and Mauritius. The amount is presented net of impairment of VAT receivable of \$407,070 (2023: \$477,333) related to Madagascar.

Inventories

As of September 30, 2024, the carrying value of inventories was \$1,889,011 (June 30, 2024: \$1,002,793) and consisted of run-of-mine (ROM) stockpiles, SuperFlake® graphite concentrate and consumables materials for the mine and processing operations. Consumable materials increased to recognize free on board (FOB) incoterms associated with most imports into Madagascar. The incoterms also resulted in a corresponding increase in accounts payable.

	As at, September 30, 2024	As at, June 30, 2024
Consumable materials	1,646,501	923,337
Run-of-mine (ROM) stockpile	83,884	71,279
Finished product	158,626	8,177
Total Inventories	1,889,011	1,002,793

Prepaid Expenses

As of September 30, 2024, prepaid expenses were \$1,207,027 (June 30, 2024: \$1,333,944) and consisted of prepaid insurance, services and spare parts.

Long-Term Prepayments and Deposits

As of September 30, 2024, the carrying value of long-term prepayments and deposits decreased from \$9,492,982 as at June 30, 2024, to \$883,242. The decrease is a result of taking delivery of the BAF equipment, which was manufactured and assembled offshore by the Technology Partner and totaled \$8,609,740.

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Property, Plant, Equipment, and Development

During the three months ended September 30, 2024, the Company made additions of \$13,125,722 and incurred development costs of \$2,692,899. The additions represent the capitalization of BAF equipment for \$11,965,233 of which \$8,609,740, was accounted for as a prepayment as of June 30, 2024. Development costs represent ongoing capitalization of Molo Mine processing plant and commissioning costs. There were no transfers from assets-under-construction to other categories of assets for the three months ended September 30, 2024 (June 30, 2024: \$nil).

	Property	Plant	Equipment	Right of Use Assets	Assets Under Construction	Total
	\$	\$	\$	\$	\$	\$
As at June 30, 2023	2,096,759	8,161,993	2,559,807	12,419,209	18,999,061	44,236,829
Additions	1,466,305	81,262	453,535	21,192,030	5,081,809	28,274,941
Development costs	-	-	-	-	9,581,458	9,581,458
Transfers	-	-	-	-	-	-
Depreciation	(8,120)	(418,808)	(430,932)	(193,080)	852,618	(198,322)
Cancellation and derecognition of leases	-	-	-	(12,332,100)	-	(12,332,100)
Impact of foreign exchange	12,708	62,348	24,938	5,659	152,166	257,819
As at June 30, 2024	3,567,652	7,886,795	2,607,348	21,091,718	34,667,112	69,820,625
Additions	193,254	41,565	92,051	-	12,798,852	13,125,722
Development costs	-	-	-	-	2,692,899	2,692,899
Depreciation	(9,605)	(106,597)	(105,012)	(185,579)	270,093	(136,700)
Disposals	-	-	-	-	-	-
Impact of foreign exchange	(34,657)	(132,877)	(39,030)	(123,088)	(337,943)	(667,595)
As at September 30, 2024	3,716,644	7,688,886	2,555,357	20,783,051	50,091,013	84,834,951
Cost	3,575,800	8,352,405	3,226,186	21,193,292	34,667,112	71,014,795
Accumulated depreciation	(8,148)	(465,610)	(618,838)	(101,574)	-	(1,194,170)
As at June 30, 2024	3,567,652	7,886,795	2,607,348	21,091,718	34,667,112	69,820,625
Cost	3,743,431	8,273,188	3,259,563	21,068,645	50,091,013	86,435,840
Accumulated depreciation	(26,787)	(584,302)	(704,206)	(285,594)	-	(1,600,889)
As at September 30, 2024	3,716,644	7,688,886	2,555,357	20,783,051	50,091,013	84,834,951

Accounts Payable and Accrued Liabilities

As of September 30, 2024, accounts payable and accrued liabilities were \$7,425,927 (June 30, 2024: \$4,473,128). The increase of \$2,952,799 relates to increased imports of consumables, accounts payable relating to \$1,999,920 of the Mauritius BAF equipment and consulting fees associated with the IFC mandate letter incurred at the Molo Mine.

Right-of-Use Assets and Lease Obligations

The Company has recognized the following Right-of-Use ("ROU") assets and long-term lease obligations:

- On November 24, 2023, the Company signed a new lease for the Mauritius BAF at an industrial site in the port of Port Louis and recognized a ROU asset and a lease obligation of \$13,319,736 and capitalized legal costs of \$20,000. The lease obligation was calculated using an incremental borrowing rate of 11.5% based on an initial term of 20 years plus a renewal of 5 years. The lease payments are payable annually in advance. In the event the Company cannot obtain an EIA, the Company may terminate the lease prior to December 1, 2024, without incurring any additional cost.
- On November 6, 2023, the Company signed a new lease for an office in Antananarivo (Tana) and recognized a ROU asset and lease obligation of \$365,119. The lease obligation was calculated using an incremental borrowing rate of 11.5% based on an initial term of 3 years. The lease payments are payable monthly.
- For the year ended June 30, 2024 the company recognized a lease obligation of \$7,871,192 and a right of use asset for the energy services agreement ("ESA") with CrossBoundary Energy Madagascar ("CBE"). This contract is for the hybrid solar thermal power

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plant owned and operated by CBE that is supplying electricity to the Molo Mine. The lease obligation was calculated using an incremental borrowing rate of 13.8% based on an initial term of 20 years plus a renewal of 5 years. The ESA requires the Company to purchase a minimum energy output of 11,200,000 kWh per annum at a base tariff of \$0.0837 per kWh which is equivalent to \$937,440 per annum. Over the initial term, the base tariff is subject to an annual escalation factor of 2.5% on June 1st of every year. If the energy use exceeds this minimum annual kWh, the Company will pay the same tariff per kWh for the excess, which is considered a variable lease payment. There was no variable lease payments made during the three months ended September 30, 2024. Total cash outflows made during the three months ended September 30, 2024, for this lease was \$98,167. During the three months ended September 30, 2024, \$20,018 of depreciation and \$292,648 of interest expense was capitalized in relation to this lease.

The following table sets out the carrying amounts of lease obligations for ROU assets included in the condensed interim consolidated statements of financial position and the movements between the reporting periods:

	Port-Louis BAF Lease	CBE Power Facility Lease	Tana Office Lease	Total Obligations
	\$	\$	\$	\$
As at June 30, 2023	-	-	-	-
Initial recognition of obligation	13,319,736	7,871,192	365,119	21,556,047
Finance costs	-	1,086,224	21,354	1,107,578
Lease payments	(899,599)	(474,877)	(87,397)	(1,461,873)
Remeasurement of lease liability	-	-	-	-
Disposals	-	-	-	-
Foreign exchange adjustments	-	-	2,157	2,157
As at June 30, 2024	12,420,137	8,482,539	301,233	21,203,909
Initial recognition of obligation	-	-	-	-
Finance costs	343,109	292,648	7,855	643,612
Lease payments	-	(98,167)	(34,367)	(132,534)
Remeasurement of lease liability	25,761	-	-	25,761
Disposals	-	-	-	-
Foreign exchange adjustments	-	-	(5,115)	(5,115)
As at September 30, 2024	12,789,007	8,677,020	269,606	21,735,633

The following table sets out the lease obligations included in the condensed interim consolidated statements of financial position:

	Port-Louis BAF Lease	CBE Power Facility Lease	Tana Office Lease	Total Obligations
	\$	\$	\$	\$
Current portion of lease obligations	1,417,617	1,686,917	134,227	3,238,761
Long-term lease obligations	11,371,390	6,990,103	135,379	18,496,872
As at September 30, 2024	12,789,007	8,677,020	269,606	21,735,633

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Future minimum lease payments required to meet obligations that have initial or remaining non-cancellable lease terms are set out in the following table:

	Port-Louis BAF Lease	CBE Power Facility Lease	Tana Office Lease	Total Obligations
	\$	\$	\$	\$
Within 12 months	1,470,000	1,686,917	142,509	3,299,426
Between 13 and 24 months	1,470,000	1,196,718	148,210	2,814,928
Between 25 and 36 months	1,470,000	1,196,718	12,391	2,679,109
Between 37 and 48 months	1,470,000	1,196,718	-	2,666,718
Between 49 and 60 months	1,470,000	1,196,718	-	2,666,718
Over 60 months	28,297,498	22,564,391	-	50,861,889
Total undiscounted lease obligations	35,647,498	29,038,180	303,110	64,988,788

Low value leases, short term leases of less than 12 months, and leases with variable payments proportional to the rate of use of the underlying assets do not give rise to lease obligations.

Royalty obligation

On February 8, 2021, the Company announced a financing agreement with Vision Blue for gross proceeds of \$29.5 million consisting of private placements and a royalty financing agreement. As part of the royalty financing agreement:

- (a) The Company received the initial royalty funding of \$8.0 million (less a \$1.5 million royalty financing fee) on June 28, 2021, and received the remaining \$3.0 million on August 17, 2022.
- (b) Beginning on the biannual period ending June 30, 2022, the Company must pay 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 only be based on the GSR. NextSource has the option at any time to reduce the GSR to 2.25% by paying \$20 million to Vision Blue. Each of the biannual Minimum Repayments can be deferred by 12 months, subject to accrued interest of 15% per annum.
- (c) Vision Blue 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.

On June 30, 2021, the Company recognized a royalty obligation at the fair value of \$6.5 million, which was equal to the present value using an effective discount rate of 13.8% of (1) the deferred \$3.0 million royalty funding, (2) the minimum royalty payments, and (3) the perpetual 3% GSR for the remaining 30-year life of mine for Phase 1. The discount rate was determined at recognition by calculating the internal rate of return (IRR) of the expected cash flows. Upon recognition, a total of \$169,279 of capitalized legal fees was netted against the obligation resulting in an initial carrying value of \$6,330,721. The carrying value of the royalty obligation will be remeasured at each reporting period based on the revised expected future cash flows using the original discount rate under the amortized cost method.

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On September 30, 2024, the obligation was remeasured at \$11,130,740 (June 30, 2024: \$11,591,878). During the three months ended September 30, 2024, the obligation increased due to accretion of \$362,928 (2023: \$363,544) and decreased due to a remeasurement gain of \$824,066 (2023: nil) recognized through the condensed interim consolidated statements of operations and comprehensive loss.

	Total
	\$
As at June 30, 2023	12,016,881
Accretion of royalty obligation	1,464,054
Royalty minimum repayments	(1,897,500)
Remeasurement of royalty obligation	8,443
As at June 30, 2024	11,591,878
Accretion of royalty obligation	362,928
Royalty minimum repayments	-
Remeasurement of royalty obligation	(824,066)
As at September 30, 2024	11,130,740
	Total
	\$
Current portion of royalty obligation	3,583,595
Long-term royalty obligation	7,547,145
As at September 30, 2024	11,130,740

Future undiscounted minimum royalty payments including accrued interest on deferrals are set out in the following table:

	Total
	\$
Within 12 months	3,583,595
Between 13 and 24 months	1,650,000
Between 25 and 36 months	1,650,000
Between 37 and 48 months	1,650,000
Between 49 and 60 months	1,650,000
Over 60 months	4,949,999
Total undiscounted royalty obligations	15,133,594

Commercial production provision

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together “the Agreements”) with Capricorn Metals (formerly Malagasy Minerals) to acquire the remaining 25% interest in the Molo Graphite Property. Pursuant to the Agreements, a further cash payment of CAD\$1,000,000 is due within 30 days of the commencement of commercial production (the “Commercial Production Fee”). On June 30, 2021, the Company recognized a provision of \$708,514 using a 13.8% discount rate based on an initial expectation of settlement on or around June 30, 2022. The provision was recorded at amortized cost and capitalized as property under property, plant, equipment, and development. The obligation expected to be settled upon the declaration of commercial production of Phase 1 of the Molo Graphite Mine.

During the three months ended September 30, 2024, the obligation increased through accretion of \$23,359 (2023: nil). On September 30, 2024, the obligation was remeasured at \$716,641 (June 30, 2024: \$707,850). The remeasurement resulted in a gain of \$23,534 (2023: \$46,362) and a foreign exchange loss of \$8,791 (2023: gain \$14,273).

Asset retirement obligations

The Company has recognized provisions for asset retirement obligations at its Molo Mine property. The provision for these obligations is based on the completed independent third-party estimate as at June 30, 2024. The third-party estimate considered current closure plans and applicable regulations. The ultimate timing and costs for future site closure and rehabilitation are uncertain and will vary depending on several factors including changes in the mining plan. Significant closure activities will include the demolition of the processing plant and infrastructure, land rehabilitation, water treatment, monitoring, and other costs. The obligation is expected to be settled at the end of the 30-year life of mine which is currently estimated as 2054. The undiscounted closure and rehabilitation costs were estimated at \$3,640,166.

As of September 30, 2024, the present value of the future cash flows required for site closure and rehabilitation costs was measured at \$2,081,586 (June 30, 2024: \$1,920,269) using a long-term US Dollar risk-free interest rate of 2.0% (June 30, 2024: 2.1%).

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CASH FLOWS FROM OPERATING, INVESTING, AND FINANCING ACTIVITIES

The following are the Company's cash flows from operating, investing and financing activities for the three months ended September 30, 2024, and September 30, 2023:

	Three months ended September 30, 2024	Three months ended September 30, 2023
Operating activities		
Net loss	\$ (2,726,086)	\$ (2,520,191)
<i>Add (deduct) items not affecting cash:</i>		
Depreciation of property, plant, equipment, and development (note 7)	136,700	328,060
Lease finance costs (note 9)	343,109	318,778
Change in value of lease and commercial production obligations (note 9,12)	2,227	(294,392)
Change in value of royalty obligations (note 10)	(824,066)	
Impairment of VAT receivable	407,070	477,333
Unrealized Foreign currency translation (gain) loss	143,460	(46,362)
Share-based compensation expense	(95,780)	
	(2,613,366)	(1,736,774)
<i>Change in non-cash working capital balances:</i>		
Increase in amounts receivable and prepaids and impairment of VAT receivable	(109,073)	(883,747)
Increase in inventories	(901,208)	(50,406)
Increase/(decrease) in accounts payable and accrued liabilities	913,720	(50,275)
Increase/(decrease) in provisions (note 12)	8,791	(14,273)
Net cash used in operating activities	(2,701,136)	(2,735,475)
Investing activities		
Increase in prepayments and deposits	-	(255,801)
Additions to property, plant, equipment, and development costs (note 7)	(4,292,719)	(2,202,329)
Net cash (used)/provided in investing activities	(4,292,719)	(2,458,130)
Financing activities		
Proceeds from issuance of common shares (note 15)	-	37,750,585
Common shares issuance costs (note 15)	-	(1,483,802)
Lease obligation principal payments (note 9)	(132,542)	
Repayment of royalty financing (note 10)	-	(948,750)
Proceeds from royalty financing (note 10)	-	
Net cash provided by financing activities	(132,542)	35,318,033
Effect of exchange rate changes on cash and cash equivalents	(11,027)	(26,238)
Net (decrease)/increase in cash and cash equivalents	(7,137,424)	30,098,190
Cash and cash equivalents, beginning of period	10,770,381	6,885,458
Cash and cash equivalents, end of period	\$ 3,632,957	\$ 36,983,648

Net cash used in operating activities decreased to \$2,701,136 (2023: \$2,735,475) due to increased general and administrative expenses and an increase in inventories, partially offset by an increase in accounts payable and accrued liabilities.

Net cash used in investing activities increased to \$4,292,719 (2023: \$2,458,130) and relates to the capitalization of the Molo Mine's operating costs during commissioning.

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OUTSTANDING SECURITIES

The Company's common shares trade on the Toronto Stock Exchange (the "TSX") under the symbol "NEXT" and the OTCQB under the symbol "NSRCF." The Company's common shares have no par value, and the authorized share capital is comprised of an unlimited number of common shares.

As of September 30, 2024, and June 30, 2024, the Company had the following outstanding securities:

	As at September 30, 2024	As at June 30, 2024
Common shares issued and outstanding	155,823,007	155,823,007
Stock options	1,030,000	1,030,000
Restricted share units (RSUs)	910,000	910,000
Fully diluted common shares	157,763,007	157,763,007

Common Shares

As of September 30, 2024, the Company had 155,823,007 common shares issued and outstanding (June 30, 2024: 155,823,007). The Company's common shares have no par value, and the authorized share capital is composed of an unlimited number of common shares.

The following changes occurred during the three months ended September 30, 2023:

On August 1, 2023, the Company completed a prospectus equity funding of \$37,750,585 (CAD\$50,000,775) through the issuance of 30,303,500 common shares at a price of CAD\$1.65 per share resulting in net proceeds of \$36,203,593, after considering issuance costs of \$1,546,992.

Stock Options

As of September 30, 2024, the Company had 1,030,000 stock options outstanding (June 30, 2024: 1,030,000) with a weighted average expiration of 9.39 years (June 30, 2024: 9.64 years) exercisable into 1,030,000 common shares (June 30, 2024: 1,030,000) at a weighted average exercise price of CAD\$0.94 (June 30, 2024: CAD\$0.94). All outstanding stock options vested on their respective grant dates.

Grant Date	Expiration Date	Exercise Price	As at June 30, 2024			As at September 30, 2024
			Awarded	Cancelled	Exercised	
May 11, 2022	May 11, 2025	CAD \$2.50	30,000	-	-	30,000
May 28, 2024	May 22, 2034	CAD \$0.89	1,000,000	-	-	1,000,000
Totals			1,030,000	-	-	1,030,000

There were no changes during the three months ended September 30, 2024.

Restricted Share Units (RSUs)

RSUs are cash-settled as the holder has the option to take the RSU amounts in cash or equity, subject to agreement by the Company, and based on actions taken in the prior year by the Company, a past practice of settling in cash has been established. An RSU obligation of \$445,406 was recorded to accrued liabilities and share-based compensation liability.

	As at September 30, 2024	As at June 30, 2024
Current portion of RSU obligations	266,697	190,649
Long-term RSU obligations	178,709	401,469
Total RSU Liability	445,406	592,118

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Cash settled RSU obligations are remeasured at fair value based on the Market Price of the Company's common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statement of operations and comprehensive loss.

As of September 30, 2024, the Company had 910,000 RSUs outstanding (June 30, 2024: 910,000) that are subject to satisfying their respective vesting conditions. The RSUs have a weighted average time until vesting of 4.1 years (June 30, 2024: 4.35 years).

Grant Date	Vesting Date	Expiration Date	Vesting Condition	As at June 30, 2024	Awarded	Settled in Cash	As at September 30, 2024
June 19, 2024	June 30, 2024	December 31, 2027	E	110,000	-	-	110,000
May 28, 2024	September 30, 2024	September 30, 2026	E	25,000	-	-	25,000
May 28, 2024	December 31, 2024	December 31, 2026	E	25,000	-	-	25,000
May 28, 2024	March 31, 2025	March 31, 2027	E	25,000	-	-	25,000
May 28, 2024	June 30, 2025	June 30, 2027	E	25,000	-	-	25,000
May 28, 2024	September 30, 2025	September 30, 2027	E	25,000	-	-	25,000
May 28, 2024	December 31, 2025	December 31, 2027	E	25,000	-	-	25,000
May 28, 2024	February 1, 2025	February 1, 2028	E, V	41,667	-	-	41,667
May 28, 2024	March 31, 2026	March 31, 2028	E	25,000	-	-	25,000
May 28, 2024	May 1, 2025	May 1, 2028	E, V	41,667	-	-	41,667
May 28, 2024	June 30, 2026	June 30, 2028	E	25,000	-	-	25,000
May 28, 2024	August 1, 2025	August 1, 2028	E, V	41,667	-	-	41,667
May 28, 2024	September 30, 2026	September 30, 2028	E	25,000	-	-	25,000
May 28, 2024	November 1, 2025	November 1, 2028	E, V	41,667	-	-	41,667
May 28, 2024	December 31, 2026	December 31, 2028	E	25,000	-	-	25,000
May 28, 2024	February 1, 2026	February 1, 2029	E, V	41,667	-	-	41,667
May 28, 2024	March 31, 2027	March 31, 2029	E	25,000	-	-	25,000
May 28, 2024	May 1, 2026	May 1, 2029	E, V	41,667	-	-	41,667
May 28, 2024	June 30, 2027	June 30, 2029	E	25,000	-	-	25,000
May 28, 2024	August 1, 2026	August 1, 2029	E, V	41,667	-	-	41,667
May 28, 2024	November 1, 2026	November 1, 2029	E, V	41,667	-	-	41,667
May 28, 2024	February 1, 2027	February 1, 2030	E, V	41,667	-	-	41,667
May 28, 2024	May 1, 2027	May 1, 2030	E, V	41,667	-	-	41,667
May 28, 2024	August 1, 2027	August 1, 2030	E, V	41,667	-	-	41,667
May 28, 2024	November 1, 2027	November 1, 2030	E, V	41,663	-	-	41,663
Totals				910,000			910,000

Legend: E - Vesting conditional on employment on vesting date, V - Variable vesting date

There were no changes during the three months ended September 30, 2024.

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RELATED PARTY TRANSACTIONS

Parties are related if one party has the direct or indirect ability to control or exercise considerable influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control or common considerable influence. Related parties include the Company subsidiaries and key management. Key management consists of the Board of Directors, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Senior Vice Presidents. Related parties also include companies controlled by key management. Related party transactions occur when there is a transfer of economic resources or financial obligations between related parties. Related party transactions in the normal course of business that have commercial substance are initially measured at fair value. Balances and transactions between the Company and its wholly owned subsidiaries have been eliminated and are not disclosed in this note.

The following key management *related party transactions* occurred during the following reporting periods:

Related party transactions contained within	Three months ended September 30, 2024	Three months ended September 30, 2023
Payroll and benefits	532,616	389,048
Management consulting fees	93,000	90,836
Professional fees	-	3,350
Share-based compensation	(95,780)	-
Total	529,836	483,234

The following key management *related party balances* existed at the end of the following reporting periods:

Related party transactions contained within	As at September 30, 2024	As at June 30, 2024
Amounts receivable	21,029	56,603
Accounts payable and accrued liabilities	72,446	503,301
Current portion of royalty obligations	3,583,595	2,846,250
Long term portion of royalty obligations	7,547,145	8,745,628

Amounts receivable are for short-term loans to officers related to the exercise of stock options. Accounts payable and accrued liabilities are for accounts payable, accrued bonuses, and accrued directors' fees. The royalty obligations are owed to Vision Blue.

CAPITAL MANAGEMENT

Capital Management

There were no changes in the Company's approach to capital management during the three months ended September 30, 2024.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. The Company is not subject to any externally imposed capital requirements. To date, the Company has funded operations by raising equity and obtaining royalty financing. The Company manages its capital structure (consisting of shareholders' equity and debt obligations) on an ongoing basis and in response to changes in economic conditions and risk characteristics of its underlying assets. Changes to the capital structure may involve the issuance of new equity, obtaining working capital loans, construction financing, issuing debt, the disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

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Capital Resource Analysis

As of September 30, 2024, the Company had cash and cash equivalents of \$3,632,957 which is insufficient to fund its working capital requirements (including current liabilities of \$14,964,924) as well as ongoing general and administrative costs and anticipated capital and operating cash outflows. Refer to note 2 basis of presentation and going concern in the financial statements for the three months ended September 30, 2024.

The Company will need to obtain financing in the form of equity, debt, or a combination thereof to continue with its planned strategic and operational activities. Management is actively pursuing additional funding, and while it has been successful at doing so in the past, there can be no assurance it will be able to do so in the future or on terms that are acceptable to the company. As such, the ability of the Company to raise additional funding in order to meet its obligations as they come due results in a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

	As at September 30, 2024	As at June 30, 2024
Current Assets:		
Cash and cash equivalents	\$3,632,957	\$10,770,381
Amounts receivable	240,144	427,977
Inventories	1,889,011	1,002,793
Prepaid expenses	1,207,027	1,333,944
Total Current Assets	\$6,969,138	\$13,535,095
Current Liabilities:		
Accounts payable and accrued liabilities	\$7,425,927	\$4,473,128
Current portion of lease obligations	3,238,761	2,405,980
Current portion of royalty obligations	3,583,595	2,846,250
Commercial production obligation	716,641	707,850
Total Current Liabilities	\$14,964,923	\$10,433,208
Net working Capital	(\$7,995,785)	\$3,101,887

Contractual Obligations and Commitments

The Company is subject to contractual commitments relating to royalties as well as the commercial production obligation.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements that would affect the liquidity, capital resources and credit risk support or other benefits.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Liquidity risk

As of September 30, 2024, the Company had cash and cash equivalents of \$3,632,957 (June 30, 2024: \$10,770,381) to settle current liabilities of \$14,964,924 (June 30, 2024: \$10,433,208).

The following Company obligations have contractual maturities over the next twelve months:

- Accounts payable and accrued liabilities, which are due within 30 days.
- Minimum payments under the royalty agreement are due semi-annually on June 30 and December 31.
- Commercial production obligation that is due upon the declaration of commercial production at the Molo Mine.
- Long-term lease payment obligations are due annually in advance.

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. Liquidity risk arises from the Company's financial obligations and in the management of its assets, liabilities, and capital structure. To minimize liquidity risk, the Company has implemented cost control measures including a construction budget and the minimizing of discretionary expenditures unless the project has sufficient economic or geologic merit. In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while obtaining sufficient funding to meet its obligations as they come due.

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The Company's ability to continue operations and fund development is dependent on management's ability to secure additional financing. Although management is actively pursuing additional funding, and while it has been successful at doing so in the past, there can be no assurance it will be able to do so in the future. As such, conditions exist that may raise doubt regarding the Company's ability to continue as a going concern (see Note 2 Basis of presentation and going concern of the financial statements). Based on management's past ability to manage its working capital, the Company believes it will be able to satisfy its current and long-term obligations as they become due.

The Company manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner. The main factors that affect liquidity include working capital requirements, capital-expenditure requirements, and equity capital market conditions. The Company's liquidity requirements are met through a variety of sources, including cash and cash equivalents and equity capital markets. Additional funds will be required for general and administrative costs, general working capital, BAF construction, and development costs related to expansion of the Molo Mine.

Credit risk

The Company does not have commercial receivables. The Company has credit risk arising from refundable taxes classified as amounts receivable. The Company has credit risk arising from officer loans classified as amounts receivable. The Company manages this risk by settling against amounts due to officers. The Company has credit risk arising from the potential from counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions, whereas any offshore deposits are held with reputable foreign financial institutions. The Company also limits the deposits held with foreign financial institutions.

During the three months ended September 30, 2024, due to considerable uncertainty as to the recoverability of refundable Madagascar value added tax (VAT) denominated in local currency and recognized in amounts receivable, the Company recognized an impairment of VAT receivable of \$407,070 (2023: \$477,333).

Interest rate risk

This is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that are subject to variable interest rates other than the interest earned on cash balances held in Canadian banks, which is subject to variable interest rate risk.

Commodity price risks

This is the sensitivity of the fair value of, and future cash flows, generated from its mineral projects to changes in commodity prices. The Molo Mine property and assets under construction are carried at historical cost. As a result, the recoverability of the carrying values are exposed to commodity price risks. The royalty obligation remeasurement includes an estimate of the present value of royalties paid on graphite revenues and as a result, is exposed to graphite price risk with a sensitivity to a 10% change in graphite prices of 1%. Graphite does not have an established forward pricing or futures market that could be used to hedge against this exposure. The Company manages this risk by monitoring mineral and commodity price trends to determine the appropriate timing for funding the development, acquisition or disposition of its mineral exploration and development projects.

Currency risk

This is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company transacts in currencies other than the US dollar, including the Canadian dollar, the Madagascar Ariary, the Mauritius Rupee, and the South African Rand. The Company purchases services and has certain salary commitments in those foreign currencies. The Company also has monetary and financial instruments that may fluctuate due to changes in foreign exchange rates. Derivative financial instruments are not used to reduce exposure to fluctuations in foreign exchange rates. The Company is not sensitive to foreign exchange exposure on revenues since it has not made commitments to deliver products quoted in foreign currencies. Since construction of the Molo Mine, the Company is sensitive to foreign exchange risk arising from the translation of the financial statements of subsidiaries with a functional currency other than the US dollar, whereby changes in the carrying amounts of certain assets, liabilities and equity are measured through other comprehensive income.

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As at September 30, 2024, the Company had the following balances in foreign currency:

		As at	As at
		September 30,	June 30,
		2024	2024
Cash and cash equivalents	CAD \$	2,219,679	\$ 3,599,424
Cash and cash equivalents	MGA	107,652	233,071
Cash and cash equivalents	MUR	160,045	204,126
Amounts receivable	CAD	—	167,886
Amounts receivable	MUR	76,455	42,163
Prepaid expenses	CAD	30,344	42,427
Prepaid expenses	MUR	—	—
Prepaid expenses	ZAR	211	26,971
Prepaid expenses	MGA	865,769	1,023,304
Accounts payable and accrued liabilities	CAD	(450,589)	(570,544)
Accounts payable and accrued liabilities	MGA	(1,983,012)	(1,807,746)
Accounts payable and accrued liabilities	GBP	(59,048)	(197,407)
Commercial production obligations	CAD	(731,383)	(707,850)
Current portion of lease obligations	MGA	(134,226)	(135,346)
Net foreign exchange exposure in USD	\$	101,897	\$ 1,920,479
Impact of 10% increase in CAD/USD exchange rates	\$	106,805	\$ 253,134
Impact of 10% increase in MGA/USD exchange rates		(114,382)	(68,672)
Impact of 10% increase in MUR/USD exchange rates		23,650	24,629
Impact of 10% increase in ZAR/USD exchange rates		21	2697
Impact of 10% increase in GBP/USD exchange rates		(5,905)	(19,741)
Total	\$	10,189	\$ 192,048

As at September 30, 2024, the Company estimated that a 10% decrease of the USD versus foreign exchange rates would result in a gain of \$10,189 (June 30, 2024: gain of \$192,048) and a 10% increase in the USD versus foreign exchange rates would result in a loss of \$10,189 (June 30, 2024: gain of \$192,048).

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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 in our most recent AIF.

SUMMARIZED QUARTERLY DATA

	Quarter Ended			
	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
	\$	\$	\$	\$
Revenues	—	—	—	—
Mine development expenses	—	—	—	—
Exploration and evaluation expenses	3,204	50,267	13,494	2,220
General and administrative expenses	2,678,782	2,516,681	1,597,376	1,373,878
Net income (loss)	(2,803,700)	(3,277,808)	(1,184,253)	(1,771,396)
Net income (loss) and comprehensive income (loss)	(3,263,964)	(4,023,643)	(918,507)	(1,222,882)
Net income (loss) per share (basic and diluted)	(0.02)	(0.03)	(0.01)	(0.01)
Working capital (deficit) surplus	7,995,785	3,101,887	15,492,811	27,946,881

	Quarter Ended			
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
	\$	\$	\$	\$
Revenues	—	—	—	—
Mine development expenses	—	(607,662)	452,514	286,475
Exploration and evaluation expenses	9,960	40,977	2,408	—
General and administrative expenses	1,278,982	1,125,134	1,048,154	656,849
Net income (loss)	(2,520,191)	(495,794)	(1,631,497)	(3,632,966)
Net income (loss) and comprehensive income (loss)	(2,546,429)	(3,245,502)	(2,094,964)	(2,415,565)
Net income (loss) per share (basic and diluted)	(0.02)	(0.00)	(0.01)	(0.03)
Working capital surplus	34,290,453	120,050	5,451,580	13,706,665

MATERIAL ACCOUNTING POLICY INFORMATION AND ACCOUNTING ESTIMATES

The Company's Condensed Interim Consolidated Financial Statements are prepared in accordance with IFRS Accounting Standards ("IFRS") applicable to the preparation of interim financial statements under International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). (the "Financial Statements"). The Financial Statements follow the same accounting policies and methods of their application as disclosed in Note 3 to the Company's audited consolidated financial statements for the year ended June 30, 2024.

To prepare financial statements in conformity with IFRS, the Company must make estimates, judgements and assumptions concerning the future that affect the carrying values of assets and liabilities as of the date of the consolidated financial statements and the reported values of revenues and expenses during the reporting period. By their nature, these are uncertain, and actual outcomes could differ from the estimates, judgments, and assumptions. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods when the revision affects both current and future periods.

Significant accounting judgments, estimates and assumptions are reviewed on an ongoing basis. The areas involving significant judgments, estimates and assumptions have been detailed in Note 4 to the Company's audited consolidated financial statements for the year ended June 30, 2024.

Management has discussed the development and selection of material accounting policies and estimates with the Audit Committee, which has reviewed the Company's disclosure in this MD&A.

QUALIFIED PERSON

Craig Scherba, P. Geo., Director of the Company and Chief Development Officer is the Qualified Person, as defined by NI 43-101, who has reviewed and approved the technical information disclosed in this MD&A.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators and has concluded that disclosure controls and procedures were effective as at September 30, 2024.

Internal Control Over Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Executive Officer and Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2024, that have materially affected, or are likely to materially affect, our internal control over financial reporting other than the material weakness discussed below.

Management's Report on Internal Control Over Financial Reporting

The Company's management, with the participation of the Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting (ICFR) as at September 30, 2024. In making this assessment, management used the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management and the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2024, the Company's internal control over financial reporting was not effective due to a material weakness that was identified as of June 30, 2024. This material weakness created a reasonable possibility that a material misstatement of the Company's annual financial statements or condensed interim consolidated financial statements would not be prevented or detected on a timely basis.

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Description of a Material Weakness as at September 30, 2024

The control environment is the responsibility of management, sets the tone of the organization, influences the control consciousness of its employees, and is the foundation of the other components of ICFR. The Company concluded that it did not have adequate accounting technical resources and expertise to address and analyze complex accounting and financial reporting matters in accordance with IFRS Accounting Standards throughout the financial reporting period. A number of adjustments, including audit adjustments, in respect of areas including right of use assets and lease liabilities, restricted share unit liabilities as well as capitalization of mine development costs, were recorded prior to the issuance of the June 30, 2024 annual financial statements.

Impact of the material weakness on Financial Reporting

Notwithstanding the material weakness outlined, based on the work performed during the review by management including the CEO and CFO, and the Board of Directors (collectively those involved) have concluded that the financial statements for the three months ended September 30, 2024, and 2023 are fairly stated in all material respects in accordance with IFRS Accounting Standards.

Remediation of Material Weaknesses

Management has taken an urgent and active approach in enhancing the technical resources and expertise in the global finance function through new hires and continues to implement new processes and controls around identification of potential complex accounting items; documentation and interpretation of accounting analysis and reporting and disclosure of significant contracts and transactions in the interim and annual financial statements and MD&A.

Although there have been significant improvements made to the Company's ICFR in relation to the material weakness described above, the material weaknesses cannot be considered remediated until the applicable remedial controls and processes operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. No assurance can be provided at this time that the actions and remediation efforts the Company has taken or will implement will effectively remediate the material weakness described above or prevent the incidence of material weaknesses in the Company's ICFR in the future. The Company does not expect that disclosure controls or ICFR will prevent all errors, even as remediation measures are implemented and further improved to address the material weakness. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions.

OTHER INFORMATION

Additional information related to the Company, including the AIF, is available on the Canadian Securities Administrators' SEDAR+ website at www.sedarplus.ca or on the Company website at www.nextsourcematerials.com.