



NextSource Materials Inc.

Management's Discussion and Analysis (MD&A)

For the years ended June 30, 2024, and 2023

Expressed in US Dollars

NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2024 and 2023

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 Company's intention to complete 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 October 3, 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.

NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2024 and 2023

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated October 3, 2024 of NextSource Materials Inc. ("NextSource", "we", "our" or "the Company") should be read in conjunction with the Company's Consolidated Financial Statements for the years ended June 30, 2024 and 2023 (the "Financial Statements") that were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the "IFRS Accounting Standards") 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 in 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\$").

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 1943, 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

Flake graphite demand is expected to reach 1.4Mt in 2024, an increase of 18% (~220kt) from 2023. The majority of this growth (96%) is anticipated to be driven by the battery sector which is estimated to grow at 34% year-over-year and reach 0.8Mt by the end of 2024. Market studies suggest that >95% of the anode of a lithium-ion battery comprise of graphite.

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 provide a unique opportunity for a vertically integrated anode supplier in the years to come.

The Company is therefore 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.

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 sole, material, mineral property.

On February 15, 2019, the Company received a 40-year mining license for the Molo property, located in southern Madagascar, that does not limit mining to any specific volume. On March 29, 2021, the Company announced the commencement of construction of Phase 1 of the Molo Mine with a production capacity of 17,000 tonnes per annum ("tpa") of SuperFlake® graphite concentrate and began capitalizing mine development costs.

On March 23, 2023, the Company announced the initiation of commissioning activities for Phase 1. On June 22, 2023, the Company announced production of the first tonne of SuperFlake® graphite concentrate as part of the commissioning process. 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.

Phase 1 is powered by a hybrid solar thermal power plant 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.

NextSource has long-term offtakes with established industrial partners that account for more than 100% of the expected Phase 1 production of SuperFlake® graphite concentrate.

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Over 300 km of linear graphite mineralization has been identified on the Company's property surrounding the Molo project, providing virtually 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.

For additional information with respect to the Molo Mine and mineral resources and reserves, readers are referred to the technical report, which replaces the technical information on the Molo Mine that is contained in the AIF.

Battery Anode Facilities

The BAFs are value-added processing facilities that are capable of converting flake graphite into spheronized and purified graphite ("SPG") and coated spheronized and purified graphite ("CSPG"), which are the intermediate and final forms of the anode material that is then 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 the Mauritius BAF Technical Study. 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. 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.

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. The innovative design is currently used to supply spheronized, purified graphite (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. The Company is also negotiating a technology partnership for the construction of artificial graphite anode plants and has started evaluating suitable sites along international trade routes. The terms 'artificial' and 'synthetic' are interchangeable.

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 year ended June 30, 2024, the Company had invested \$9,492,982 (June 30, 2023: \$717,403) 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 BAF 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 Reduction Act (the "IRA").
- Evaluation of the potential construction of BAF's in the Middle East.
- Evaluation of the potential construction of an artificial graphite ("AG") production facility capable of producing AG anode material ("AG Facility") has involved the negotiation of technology partnerships and the evaluation of suitable sites along international trade routes.
- Evaluation of several strategic partnerships that may involve an investment into the Company potentially combined with securing a long-term offtake agreement for spheronized and purified graphite ("SPG") and the Company's other graphite products.

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

For additional information with respect to the BAFs, readers are referred to the AIF and under the heading "*Description of the Business – Battery Anode Facilities*", which includes disclosures related to the Mauritius BAF Technical Study and other BAF-related items, and the "*Risk Factors*" section of the AIF.

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Exploration and Evaluation Properties

The Company also owns the Green Giant Vanadium Project, located in Madagascar, and the Sagar Project (Cobalt), 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.

OUTLOOK AND MILESTONES

Executive Changes

On May 28, 2024, the Company announced the appointment of Hanré Rossouw as President and Chief Executive Officer ("CEO") effective November 1, 2024 and as a director of the Company effective September 1, 2024. Mr. Rossouw joins NextSource from his role as Executive Director and Chief Financial Officer of Sasol Limited with extensive experience in the global natural resources industry over the last 25 years.

Effective November 1st, 2024, Craig Scherba, current President and Chief Executive Officer will continue as a Director and Chief Development Officer of NextSource to focus on developing strategy, managing offtake negotiations and expanding the Company's OEM relationships around the world.

On July 9, 2024, the Company announced the appointment of Jaco Crouse as Chief Financial Officer effective immediately. Mr. Crouse replaced Marc Johnson who has served as CFO since October 2015. Mr. Crouse joins NextSource from the position of CFO and Executive Director of Amaroq Minerals (a TSX and LSE listed company) and brings a wealth of experience in mergers and acquisitions, capital and debt markets, financial reporting and the development and execution of business strategies.

On August 12, 2024, the Company announced the appointment of Dr. Tilo Hauke as Executive Vice President of Downstream Operations, effective October 1, 2024. Dr. Hauke joins NextSource from FREYR Battery, a US and Norway-based lithium-ion battery cell developer, where he was Executive Vice President Supply Chain Management. At NextSource, Dr. Hauke will oversee the Company's strategy to construct multiple Battery Anode Facilities (BAFs) to produce commercial scale graphite anode material for lithium-ion batteries used in electric vehicles.

Financing

On August 1, 2023, the Company completed a public equity raise via a prospectus for \$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.

On June 13, 2024, the Company announced the signing of a Mandate Letter with International Finance Corporation ("IFC"), the private sector investment arm of the World Bank Group, to lead a senior debt facility totaling US\$91 million (the "IFC Debt Facility") to fund Molo Phase 2. 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. 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 150,000 tpa of SuperFlake® graphite concentrate. The mandate is subject to satisfactory technical, social, legal and environmental due diligence, documentation and execution of acceptable terms, obtaining final credit, and regulatory and board approvals. Due diligence has commenced and is anticipated to be completed in 2025.

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.

In October 2023, a comprehensive third-party assessment of the plant by operations specialists and metallurgical and process design engineers was completed. The assessment identified underperformance of the dryer equipment and finished-product screens. Installation of replacement equipment was completed in July 2024. As a result of the revised commissioning schedule, the Company expects the first commercial shipment and sale of SuperFlake® graphite concentrate to occur in Q2 2025 with the aim of commercial production to be declared shortly after.

Notwithstanding a slower than expected commissioning process, 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. Saleable SuperFlake® graphite concentrate is being stockpiled at the mine and at a warehouse facility at the Port of Tular (Toliara) for shipment.

The Company is working to achieve the following Molo milestones over the next twelve months:

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

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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 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.

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 is expected to be completed in 2025.

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.

Mauritius Battery Anode Facility

On November 24, 2023, the Company signed a new industrial lease for the Mauritius BAF at a site in Port Louis that is estimated to reduce ground logistics costs and improve the project’s social and environmental standards in contrast to the former proposed Jin-Fei BAF site in Mauritius. The former Jin-Fei industrial lease was terminated on September 28, 2023 and the Company announced that the results of the Technical Study specific to this site, should no longer be relied upon.

The Mauritius BAF is intended to have an initial production capacity of 3,600 tpa of SPG and/or CSPG. Long-lead equipment was ordered in October 2023 and the main process equipment was ordered in November 2023. The total amount invested in the equipment as at June 30, 2024 was \$9,492,982 compared to \$717,403 as at June 30, 2023. 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 study (“FEED” study) 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 may terminate the Port Louis industrial lease at no further cost. The delivered BAF equipment is transportable and can be erected in any suitable location.

Other Battery Anode Facility Initiatives

On September 5, 2023, the Company announced the signing of a non-binding memorandum of understanding (the “MoU”) with South Korea’s 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 Future M. Future M is a POSCO Group subsidiary that is responsible for EV battery businesses and supplies all 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 must be completed.

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

The Company is working to achieve the following BAF milestones over the next twelve months:

- Securing a long-term partnership and offtake agreement for SPG, CSPG and purified SuperFlake® graphite concentrate
- Conclusion of EIA for the Mauritius BAF and further evaluation of BAF’s in the Middle East
- Taking delivery of process equipment at the Company’s first BAF site
- Progressing an artificial graphite technology partnership

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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 years ended June 30, 2024, and 2023

	Year ended June 30, 2024			Year ended June 30, 2023		
	Mine	BAF	Total	Mine	BAF	Total
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses						
Operating expenses	-	-	-	355,703	-	355,703
Exploration and evaluation expenses	75,941	-	75,941	43,385	-	43,385
Depreciation	109,890	82,321	192,211	225,222	161,987	387,209
Lease finance costs	63,168	204,776	267,944	43,932	398,573	442,505
Impairment of VAT receivable	1,599,832	-	1,599,832	3,953,376	-	3,953,376
Gain on disposal of right of use asset	-	(178,339)	(178,339)	-	-	-
Royalties	239	-	239	-	-	-
Segment gross profit	(1,849,070)	(108,758)	(1,957,828)	(4,621,618)	(560,560)	(5,182,178)
Other Operating Expenses						
General and administrative expenses			(6,766,917)			3,482,527
Share-based compensation			(334,411)			514,048
Depreciation			(6,111)			6,646
Foreign currency translation loss			(883,141)			(29,558)
Interest income			1,156,840			(123,869)
Change in value of royalty obligation			(8,443)			(87,390)
Change in fair value of warrant derivative financial liability			-			2,783,360
Change in value of commercial production obligation			46,362			(49,255)
Loss before income taxes			(8,753,649)			(11,678,687)
Current income tax expense			(246,379)			-
Net loss			(9,000,028)			(11,678,687)
Other comprehensive income						
Items that will be reclassified subsequently to net income (loss)						
Translation adjustment for foreign operations			288,566			(1,890,444)
Net loss and comprehensive loss			\$ (8,711,462)			\$ (13,569,131)

Discussion of the years ended June 30, 2024, and 2023

Net loss and comprehensive loss decreased to \$8,711,462 (2023: net loss and comprehensive loss of \$13,569,131) due to the following:

- Mine expenditures decreased to \$1,849,070 (2023: \$4,621,618) and relate to the following:
 - All operating expenses relating to the Mine were capitalized in 2024 since the mine and processing plant are being commissioned and have not yet ramped up to commercial production. Operating expenses totalling \$9,581,458 were capitalized as assets-under-construction. In contrast, in 2023 operating expenses totalling \$355,703 were expensed and \$2,077,755 were capitalized as assets-under-construction.
 - Exploration and evaluation expenditures increased to \$75,941 (2023: \$43,385) and relates to the renewal of mineral claims in Madagascar and Canada.
 - Depreciation expenses decreased to \$109,890 (2023: \$225,222) due to the capitalization of \$852,618 to assets-under-construction as the equipment was utilized in commissioning activities (2023: \$nil).
 - Lease finance costs for the Mine increased to \$63,168 (2023: \$43,932) representing the signing of the new office lease in Antananarivo on November 6, 2023. The office functions as an extension of the mine supply chain for all import declarations as well as administrative hub in securing the Company's license to operate in Madagascar.
 - Impairment of Value Added Tax ("VAT") receivable decreased to \$1,599,832 (2023: \$3,953,376). The amount decreased because of reduced qualifying spend in 2024 compared to 2023. The amount receivable is fully impaired annually due to the uncertainty around the recoverability of the VAT, refundable under Madagascar Tax Act.

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- Royalties represent mining royalties payable under Madagascar Law and charged on the export value of SuperFlake® graphite concentrate samples of \$239 (2023: \$nil). These samples were exported for CSPG and SPG production and evaluation by battery manufacturers. Refer to *Battery Anode Facilities*.
- BAF expenditures decreased to \$108,758 (2023: \$560,560) and relate to the following:
 - Depreciation expenses decreased to \$82,321 (2023: \$161,987) and represent 3 months of depreciation of the right-of-use asset associated with the Jin Fei lease prior to cancellation on September 28, 2023. The zones associated with the Port Louis lease were occupied in January and June 2024 have limited depreciation in 2024.
 - Lease finance costs decreased to \$204,776 (2023: \$398,573) and represent the implied financing charges related to the industrial lease for the Port Louis BAF site in Mauritius. The lease incurred minimal finance charges due to the occupation date.
 - Recognition of a gain of \$178,339 on the termination of the Jin Fei lease. This gain represents the difference between the carrying value of the lease liability on the date of termination and the carrying value of the right-of-use asset.
- General and administrative expenses increased to \$6,766,917 (2023: \$3,482,527) and relate to the following:
 - Payroll and management compensation fees increased to \$2,430,368 (2023: \$1,123,098) due to an expansion of management and administrative employees as the Mine transitioned from construction to commissioning and the BAF strategy expanded.
 - External consulting fees increased to \$756,270 (2023: \$446,553) due to an expansion of management consultants relating to the assessment of the Molo mine and process plant operations with the aim to improve production and overall performance. These fees also include the use of external consultants for advancing the IFC due diligence related to partially financing Molo Phase 2.
 - Professional fees increased to \$1,514,576 (2023: \$654,227) due to increased legal, audit, tax, compensation, recruiting and offshore management fees. Professional fees include costs incurred for executive searches such as the new CEO and CFO.
 - Public company expenses remained fairly in-line and increased slightly to \$394,349 (2023: \$341,556). This increase represents general inflation and maintains the Company's public listing.
 - Corporate travel expenses increased to \$573,564 (2023: \$212,464) due to increased international travel associated with expansion of the BAF strategy and with the aim of securing partnerships and offtake agreements for the Company's SuperFlake® graphite concentrate.
 - Insurance expenses increased to \$66,297 (2023: \$61,814) and mainly relates to the larger industrial footprint of the Company and increased activity both in Mauritius and Madagascar.
 - Sales and marketing expenses increased to \$132,952 (2023: \$100,134) and relates to establishing automotive industry (OEM) and battery manufacturing partnerships.
 - Office and administration expenses increased to \$898,541 (2023: \$542,681) and mainly relates to an increased requirement for information technology (IT) systems and increased connectivity across Canada, Mauritius and specifically Madagascar.
- Share-based compensation decreased to \$334,411 (2023: \$514,048) consisting of the expensing of equity awards over their vesting periods and for share-based severance costs.
- Depreciation of corporate assets slightly decreased to \$6,111 (2023: \$6,646).
- Foreign currency translation loss of \$883,141 (2023: gain of \$29,558) mainly from the strengthening of the Madagascar Ariary (MGA 4,500 vs. MGA 4,433) and South African Rand (ZAR 19.61 vs. ZAR 18.86) against the US Dollar. The loss was partially offset by a strengthening of the Canadian Dollar against the US Dollar (CAD 1.31 vs. CAD 1.37).
- Interest income increased to \$1,156,840 (2023: \$123,869) from interest earned on bank balances.
- Loss of \$8,443 on the remeasurement of the Vision Blue royalty obligation (2023: gain of \$87,390). The accretion associated with the royalty obligation of \$1,464,054 was capitalized to assets under construction (2023: \$1,373,075).
- Commercial production obligation was remeasured resulting in a gain of \$46,362 (2023: gain of \$49,255) due to an extension of the estimated commercial production date as the Company completes commissioning. Commercial production accretion of \$22,513 was capitalized to assets-under-construction (2023: \$94,018).
- Current income tax expense increased to \$246,379 (2023: \$nil) related to withholding tax payable on import services and goods into Madagascar.
- Translation adjustment for foreign operations gain of \$288,566 (2023: loss \$1,890,444) from the weakening of the Madagascar Ariary against the US Dollar from MGA 4,500 on June 30, 2023 to MGA 4,433 on June 30, 2024.

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For the years ended June 30, 2024 and 2023

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

	Three months ended June 30, 2024			Three months ended June 30, 2023		
	Mine	BAF	Total	Mine	BAF	Total
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses						
Operating expenses	-	-	-	(607,662)	-	(607,662)
Exploration and evaluation expenses	50,267	-	50,267	40,977	-	40,977
Depreciation	(439,751)	-	(439,751)	131,248	120,827	252,075
Lease finance costs	31,338	204,776	236,114	10,480	300,282	310,762
Impairment of VAT receivable	401,728	-	401,728	577,160	-	577,160
Gain on disposal of right of use asset	-	-	-	-	-	-
Royalties	1	-	1	-	-	-
Segment loss	(43,583)	(204,776)	(248,359)	(152,203)	(421,109)	(573,312)
Other Operating Expenses						
General and administrative expenses			(2,516,681)			(1,125,134)
Share-based compensation			(118,411)			(84,415)
Depreciation			(1,764)			(1,662)
Foreign currency translation (gain) loss			(1,381,995)			1,069,550
Interest			150,986			123,588
Change in value of royalty obligation			(8,443)			95,591
Change in fair value of warrant derivative financial liability			-			-
Change in value of commercial production obligation			-			-
Loss before income taxes			(4,124,667)			(495,794)
Current income tax expense			(246,379)			-
Net loss			(4,371,046)			(495,794)
Other comprehensive income						
Items that will be reclassified subsequently to net income (loss)						
Translation adjustment for foreign operations			(499,456)			(2,749,708)
Net loss and comprehensive loss			\$ (4,870,502)			\$ (3,245,502)

Discussion of the three months ended June 30, 2024, and 2023

Net loss and comprehensive loss increased to \$4,870,502 (2023: net loss and comprehensive loss of \$3,245,502) due to the following:

- Mine expenditures decreased to \$43,583 (2023: \$152,203) and relate to the following:
 - Operating expenses decreased to \$nil (2023: gain of \$607,662) due to the capitalization of operating expenses as assets-under-construction during the commissioning of the Molo Mine.
 - Exploration and evaluation expenditures increased to \$50,267 (2023: \$40,977) consisting of the renewal of mineral claims.
 - Lease finance costs increased to \$31,338 (2023: \$10,480) representing the signing of the Antananarivo office lease on November 6, 2023.
 - Impairment of VAT receivables decreased to \$401,728 (2023: \$577,160). The amount decreased 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 \$204,776 (2023: \$421,109) and relate to the following:
 - Depreciation expenses increased to \$126,777 (2023: \$120,827) representing the increased value of the right-of-use asset relating to the Port Louis lease compared to the Jin-Fei lease.
 - Lease finance costs decreased to \$204,776 (2023: \$300,282) due to the occupation date of the Port Louis lease.
- General and administrative expenses increased to \$2,516,681 (2023: \$1,125,134) and relate to the following:
 - Payroll and management compensation fees increased to \$709,331 (2023: \$392,742) due to an expansion of management and administrative employees associated with the larger organization aimed at executing the business strategy.
 - External consulting fees increased to \$506,621 (2023: \$54,586) due to an expansion of management consultants relating to the assessment of the Molo mine and process plant operations with the aim to improve production and overall performance.

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Professional fees include the use of external consultants for advancing the IFC due diligence related to partially financing Molo Phase 2.

- Professional fees increased to \$740,466 (2023: \$337,873) due to increased legal, audit, tax, compensation, recruiting and offshore management fees. Executive search costs for the new CEO and CFO were mainly incurred in Q4 2024.
 - Public company expenses increased to \$107,682 (2023: \$75,907) related to maintaining the Company's public listing and represent general inflation and timing differences compared to the prior period.
 - Corporate travel expenses increased to \$158,546 (2023: \$30,439) due to increased international travel as the Company is evaluating the expansion of its BAF strategy into the Middle East and trying to secure long term partnerships and potential offtake agreements.
 - Sales and marketing expenses decreased to \$32,891 (2023: \$100,134) since most of the prior year activities was concentrated in the last quarter. Sales and marketing activities mainly relate to establishing automotive industry (OEM) and battery manufacturing partnerships.
 - Office and administration expenses decreased to \$237,230 (2023: \$175,881) due to variations in general administration expenditures in Canada, Mauritius, and Madagascar.
- Share-based compensation decreased to \$118,411 (2023: \$84,415) consisting of the expensing of equity awards over their vesting periods.
 - Depreciation of corporate assets increased to \$1,764 (2023: \$1,662).
 - Foreign currency translation loss of \$1,381,995 (2023: gain of \$1,069,550) from the strengthening of foreign currencies against the US Dollar in contrast to the stronger US Dollar for the corresponding period in 2023.
 - Interest income increased to \$150,952 (2023: \$123,588) from interest earned on bank balances.
 - Loss of \$8,443 on the remeasurement of the royalty obligation (2023: gain of \$95,591).
 - Current income tax expense increased to \$246,379 (2023: \$nil) related to withholding tax provisions.
 - Translation adjustment for foreign operations loss of \$499,456 (2023: loss \$2,749,708).

STATEMENT OF FINANCIAL POSITION

Cash and Cash Equivalents

As of June 30, 2024, cash and cash equivalents were \$10,770,381 (June 30, 2023: 6,885,458).

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.

	As at June 30, 2024	As at June 30, 2023
Canada	9,754,055	6,309,738
Mauritius	325,052	139,408
Madagascar	691,274	436,312
Total Cash and Cash Equivalents	10,770,381	6,885,458

Amounts Receivable

As of June 30, 2024, amounts receivables were \$427,977 (June 30, 2023: \$494,250) and consisted mainly of sales tax receivable in Canada and Mauritius. The amount is presented net of an impairment of VAT receivable of \$1,599,832 (June 30, 2023, \$3,953,376), due to uncertainty as to the recoverability of inputs to be claimed under Madagascar value added tax.

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Inventories

As of June 30, 2024, the carrying value of inventories was \$1,002,793 (June 30, 2023: \$470,336) and consisted of run of mine stockpiles, finished goods and consumable materials that will be consumed through mine operations.

	As at June 30, 2024	As at June 30, 2023
Consumable materials	923,337	461,247
Run-of-mine (ROM) stockpile	71,279	9,089
Finished product	8,177	-
Total Inventories	1,002,793	470,336

Prepaid Expenses

As of June 30, 2024, prepaid expenses were \$1,333,944 (June 30, 2023: \$172,384) and consisted of prepaid insurance, services, and raw materials.

	As at June 30, 2024	As at June 30, 2023
Vendor Advances	1,174,515	100,114
Insurance	159,429	72,270
Total Prepaid	1,333,944	172,384

Prepayments and Deposits

As of June 30, 2024, the carrying value of prepayments and deposits for long-term assets was \$9,492,982 (June 30, 2023: \$717,403) and consists mainly of prepayments for equipment that is being manufactured and assembled offshore for the Mauritius BAF.

Property, Plant, and Equipment

	Property \$	Plant \$	Equipment \$	Right of Use Assets \$	Assets Under Construction \$	Total \$
As at June 30, 2022	1,107,350	-	215,172	536,649	16,793,223	18,652,394
Additions	632,524	1,603,458	2,031,526	12,125,135	9,125,726	25,518,369
Capitalized development costs	30,122	-	-	-	2,047,633	2,077,755
Transfers	361,852	7,008,136	617,037	-	(7,987,025)	-
Depreciation	-	(45,400)	(155,133)	(179,753)	-	(380,286)
Impact of foreign exchange	(35,089)	(404,201)	(148,795)	(62,822)	(980,496)	(1,631,403)
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
Capitalized development costs	-	-	-	-	9,581,458	9,581,458
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
Cost	2,096,759	8,207,393	2,744,548	12,617,040	18,999,061	44,664,801
Accumulated depreciation	-	(45,400)	(184,741)	(197,831)	-	(427,972)
As at June 30, 2023	2,096,759	8,161,993	2,559,807	12,419,209	18,999,061	44,236,829
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

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During the year ended June 30, 2024, the Company made additions of \$28,274,941 (year ended June 30, 2023: \$25,518,369). The additions in 2024 mainly represent capitalization of right-of-use assets (year ended June 30, 2024: \$21,192,030 vs. year ended June 30, 2023: \$12,125,135). The capitalizations in 2024 include the right-of-use asset associated with the Port Louis lease in Mauritius for \$13,319,736; capitalization of the Crossboundary Energy (“CBE”) Madagascar’s hybrid thermal and solar power plant for \$7,486,354 and capitalization of the Antananarivo Office lease for \$365,119. Furthermore, the Company capitalized \$1,466,305 relating to BAF equipment in other jurisdictions.

Molo Mine capital expenditure represents capitalized mine commissioning and development costs of \$9,581,458 (year ended June 30, 2023: \$2,047,633) to assets-under-construction as well as \$852,618 of depreciation (year ended June 30, 2023: \$nil) and process plant additions of \$5,081,809 (year ended June 30, 2023: \$9,125,726). There were no transfers from assets-under-construction to other categories of assets for the year ended June 30, 2024 (year ended June 30, 2023: \$7,987,025). This is mainly due to the Molo asset still being commissioned and hence not available for depreciation. Capitalized costs include accretion relating to the Vision Blue Royalty obligation of \$1,464,054 and accretion relating to CBE lease obligation of \$1,086,224,

The Company derecognized \$11,880,827 for the Jin-Fei right-of-use asset as a result of the cancellation of the lease.

As of June 30, 2024, the Company had not capitalized any exploration and evaluation costs related to its exploration and evaluation projects.

Accounts Payable and Accrued Liabilities

As of June 30, 2024, accounts payable and accrued liabilities were \$4,473,128 (June 30, 2023: \$3,014,594).

	As at June 30, 2024	As at June 30, 2023
Accounts payable	2,791,910	1,220,170
Accrued liabilities	1,681,218	1,794,424
Total accounts payable and accrued liabilities	4,473,128	3,014,594

Right-of-Use Lease Obligations

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

- On July 1, 2019, the Company recognized a ROU asset and lease obligation of \$24,164 using an incremental borrowing rate of 10.43% for the exploration camp located in Fotadrevo, Madagascar. The exploration camp lease expired on June 30, 2023.
- On February 28, 2023, the Company signed a lease for the Mauritius BAF and recognized a ROU asset and lease obligation of \$12,125,135 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. The lease was terminated on September 28, 2023, in accordance with provisions in the lease agreement. The lease obligation was remeasured resulting in a gain of \$178,339 and the right of use asset and obligation were derecognized.
- 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 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 were no variable lease payments made in the year. Total cash outflows made in the year for this lease was \$474,877. During the year, \$28,202 of depreciation and \$1,086,224 of interest expense was capitalized in relation to this lease.

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

	Exploration	Jin Fei	Port-Louis	Molo Mine	CBE Power Facility	Tana Office	Total
	Camp	BAF Lease	BAF Lease	Property	Facility Lease	Lease	Obligations
	\$	\$	\$	\$	\$	\$	\$
As at June 30, 2022	5,654	-	-	344,164	-	-	349,818
Initial recognition of obligation	-	12,125,135	-	-	-	-	12,125,135
Finance costs	289	398,574	-	43,642	-	-	442,505
Lease payments	(5,685)	(1,338,637)	-	(43,308)	-	-	(1,387,630)
Foreign exchange adjustments	(258)	-	-	(33,639)	-	-	(33,897)
As at June 30, 2023	-	11,185,072	-	310,859	-	-	11,495,931
Initial recognition of obligation	-	-	13,319,736	-	7,871,192	365,119	21,556,047
Finance costs	-	204,776	-	41,814	1,086,224	21,354	1,354,168
Lease payments	-	669,318	(899,599)	(42,046)	(474,877)	(87,397)	(834,601)
Remeasurement of lease liability	-	(178,339)	-	-	-	-	(178,339)
Disposals	-	(11,880,827)	-	(313,964)	-	-	(12,194,791)
Foreign exchange adjustments	-	-	-	3,337	-	2,157	5,494
As at June 30, 2024	-	-	12,420,137	-	8,482,539	301,233	21,203,909

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

	Exploration	Jin Fei	Port-Louis	Molo Mine	CBE Power Facility	Tana Office	Total
	Camp	BAF Lease	BAF Lease	Property	Facility Lease	Lease	Obligations
	\$	\$	\$	\$	\$	\$	\$
Current portion of lease obligations	-	-	1,379,559	-	891,075	135,346	2,405,980
Long-term lease obligations	-	-	11,040,578	-	7,591,464	165,887	18,797,929
As at June 30, 2024	-	-	12,420,137	-	8,482,539	301,233	21,203,909

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

	Exploration	Jin Fei	Port-Louis	Molo Mine	CBE Power Facility	Tana Office	Total
	Camp	BAF Lease	BAF Lease	Property	Facility Lease	Lease	Obligations
	\$	\$	\$	\$	\$	\$	\$
Within 12 months	-	-	1,470,000	-	891,075	143,564	2,504,639
Between 13 and 24 months	-	-	1,470,000	-	1,283,876	149,306	2,903,182
Between 25 and 36 months	-	-	1,470,000	-	1,283,876	50,415	2,804,291
Between 37 and 48 months	-	-	1,470,000	-	1,283,876	-	2,753,876
Between 49 and 60 months	-	-	1,470,000	-	1,283,876	-	2,753,876
Over 60 months	-	-	28,297,498	-	23,109,768	-	51,407,266
Total undiscounted lease obligations	-	-	35,647,498	-	29,136,347	343,285	65,127,130

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. During the year ended June 30, 2024, the Company recognized short-term and low value rent expenses of \$47,582 (2023: \$11,786) in the consolidated statements of operations and comprehensive (loss) income.

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.

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- (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. The royalty payments are subject to 15% withholding tax ("WHT").
- (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. The royalty payments are subject to 15% WHT.

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, (3) the accrued interest on the deferral of minimum royalty payments, and (4) 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.

On June 30, 2024, the obligation was remeasured at \$11,591,878 (June 30, 2023: \$12,016,881).

	Total
	\$
As at June 30, 2022	7,731,196
Accretion of royalty obligation	1,373,075
Royalty proceeds	3,000,000
Royalty minimum repayments	-
Remeasurement of royalty obligation	(87,390)
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

	Total
	\$
Current portion of royalty obligation	2,846,250
Long-term royalty obligation	8,745,628
As at June 30, 2024	11,591,878

During the year ended June 30, 2024, the obligation increased due to accretion of \$1,464,054 (2023: \$1,373,075), a remeasurement gain of \$8,443 (2023: loss of \$87,390) recognized through the consolidated statements of operations and comprehensive (loss) income, and repayments of \$1,897,500 were completed (2023: \$nil).

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

	Total
	\$
Within 12 months	2,846,250
Between 13 and 24 months	1,897,500
Between 25 and 36 months	1,897,500
Between 37 and 48 months	1,897,500
Between 49 and 60 months	1,897,500
Over 60 months	6,641,250
Total undiscounted lease obligations	17,077,500

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 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. 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

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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 the Molo Mine.

On June 30, 2024, the obligation was remeasured at \$707,850 (June 30, 2023: \$754,973). During the year ended June 30, 2024, the Company recognized a remeasurement gain of \$46,362 (year ended June 30, 2023: \$49,255), accretion of \$22,513 (year ended 2023: \$94,018), and a foreign exchange gain of \$23,274 (year ended June 30, 2023: \$16,842) through the consolidated statements of operations and comprehensive (loss) income.

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 a newly completed independent third-party estimate that replaces internal estimates. 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 in 2054. The undiscounted closure and rehabilitation costs were estimated at \$3,640,166.

As of June 30, 2024, the present value of the future cash flows required for site closure and rehabilitation costs was measured at \$1,920,269 (June 30, 2023: \$492,346) using a long-term US Dollar risk-free interest rate of 2.1%.

As of June 30, 2023, the present value of estimated future cash flows required to settle the Company's closure and decommissioning costs as of the reporting date was estimated at \$492,346 (2022: \$nil) using a long-term South African risk-free interest rate of 3.85%.

CASH FLOWS FROM OPERATING, INVESTING, AND FINANCING ACTIVITIES

The following are the Company's cash flows from operating, investing and financing activities for the nine months ended March 31, 2024, and 2023:

	Year ended June 30, 2024	Year ended June 30, 2023
Operating activities		
Loss before income taxes	\$ (8,753,649)	(11,678,687)
<i>Add (deduct) items not affecting cash:</i>		
Depreciation of property, plant and equipment (note 8)	198,322	393,855
Lease finance costs (note 10)	267,944	408,608
Gain on disposal of right of use (notes 8, 10)	(178,339)	-
Change in value of royalty obligations (note 11)	8,443	(87,390)
Change in fair value of warrant derivative liability (note 12)	-	2,783,360
Change in value of production royalty (note 13)	(46,362)	(49,255)
Impairment of VAT receivable (notes 19 and 23)	1,599,832	3,953,376
Cash settlement of RSUs (note 18)	(133,356)	(153,699)
Share-based compensation and RSU expense	334,411	514,048
	(6,702,754)	(3,915,784)
<i>Change in non-cash working capital balances:</i>		
Increase in amounts receivable and impairment of VAT receivable	(1,533,559)	(3,873,366)
Increase in inventory (note 5)	(532,457)	(75,592)
Increase in prepaid expenses (note 6)	(1,161,560)	(470,336)
Increase in accounts payable and accrued liabilities (note 9)	1,039,592	1,149,929
Decrease in provisions	-	(16,268)
Net cash used in operating activities	(8,890,738)	(7,201,417)
Investing activities		
Additions to long-term prepayments and deposits (note 7)	(8,774,640)	(538,110)
Additions to property, plant, equipment, and development (note 8)	(12,156,813)	(13,512,124)
Net cash used in investing activities	(20,931,453)	(14,050,234)

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Financing activities

Proceeds from issuance of common shares (note 16)	37,750,585	-
Common shares issuance costs (note 16)	(1,546,992)	-
Proceeds from exercise of warrants	-	17,002,227
Lease obligation principal and interest payments (note 10)	(604,320)	(1,387,630)
Repayment of royalty financing (note 11)	(1,897,500)	-
Proceeds from royalty financing (note 11)	-	3,000,000
Net cash provided by financing activities	33,701,773	18,614,597
Effect of exchange rate changes on cash and cash equivalents	5,341	(270,741)
Net increase (decrease) in cash and cash equivalents	3,884,923	(2,907,795)
Cash and cash equivalents, beginning of period	6,885,458	9,793,253
Cash and cash equivalents, end of period	\$ 10,770,381	\$ 6,885,458

Net cash used in operating activities increased to \$8,890,738 (2023: \$7,201,417) consisting mainly of corporate operating costs.

Net cash used in investing activities was \$20,931,453 (2023: \$14,050,234) consisting mainly of the purchase of BAF equipment, mine construction and equipment, and the capitalization of mine commissioning costs.

Net cash provided by financing activities increased to \$33,701,773 (2023: \$18,614,597) consisting of net proceeds from a public equity raise via a prospectus offering which is partially offset by royalty minimum repayments and lease payments.

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 composed of an unlimited number of common shares.

The Company had the following outstanding securities on the following dates:

	As at September 30, 2024	As at June 30, 2023
Common shares issued and outstanding	155,823,007	125,271,007
Stock options	1,030,000	1,710,000
Restricted share units (RSUs)	910,000	160,000
Fully diluted common shares	157,763,007	127,141,007

Common Shares

As of June 30, 2024, the Company had 155,823,007 common shares issued and outstanding (June 30, 2023: 125,271,007). 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 year ended June 30, 2024:

- (a) 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.
- (b) On November 28, 2023, a total of 209,000 common shares were issued to an officer as part of their severance with a fair value of \$216,000.
- (c) On June 28, 2024, a total of 39,500 common shares were issued as part of the conversion of RSUs.

The following changes occurred during the year ended June 30, 2023:

- (a) On October 31, 2022, a total of 23,214,286 warrants priced at CAD\$1.00 were exercised into 23,214,286 common shares for gross proceeds of \$17,002,227.

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(b) On June 30, 2023, a total of 184,107 RSUs were converted into 184,107 common shares.

Stock Options

As of June 30, 2024, the Company had 1,030,000 stock options outstanding (June 30, 2023: 1,710,000) with a weighted average expiration of 9.64 years (June 30, 2023: 0.75) exercisable into 1,030,000 common shares (June 30, 2023: 1,710,000) at a weighted average exercise price of CAD\$0.94 (June 30, 2023: CAD\$2.70).

Grant Date	Vesting Date	Expiration Date	Exercise Price	As at			As at	
				June 30, 2023	Awarded	Expired	Expired	June 30, 2024
March 26, 2019	March 26, 2019	March 26, 2024	CAD \$1.00	580,000	-	(580,000)	-	-
March 19, 2021	March 19, 2021	March 19, 2024	CAD \$3.60	1,100,000	-	(1,100,000)	-	-
May 11, 2022	May 11, 2022	May 11, 2025	CAD \$2.50	30,000	-	-	-	30,000
May 28, 2024	November 1, 2027	May 22, 2034	CAD \$0.89	-	1,000,000	-	-	1,000,000
Totals				1,710,000	1,000,000	(1,680,000)	-	1,030,000

The following changes occurred during the year ended June 30, 2024:

- (a) On May 28, 2024, the Company granted 1,000,000 stock options exercisable at a price of CAD\$0.89 for a period of ten years. The options were valued at \$791,838 using the Black-Scholes pricing model based on a risk-free rate of 3.60%, a term of 10 years, volatility of 224% and a market price of \$0.79 (CAD\$0.89). These stock options will vest November 1, 2027 and the value of the options will be expensed over the vesting period.
- (b) A total of 1,680,000 stock options were cancelled upon reaching their respective expiration dates.

The following changes occurred during the year ended June 30, 2023:

- (a) As per the terms of our long-term incentive plan, 200,000 stock options granted on March 19, 2021 were cancelled on the anniversary of the departure of the former directors.

Restricted Share Units (RSUs)

During the current year the Company, accounted for the RSUs are as 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 year by the Company, a past practice of settling in cash has been established. An RSU obligation of \$592,118 was recorded to accrued liabilities and share-based compensation liability.

	As at June 30, 2024	As at June 30, 2023
Current portion of RSU obligations	190,649	-
Long-term RSU obligations	401,469	-
Total RSU liability	592,118	-

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) income.

Previously awarded RSUs are classified as equity settled. In the prior year the fair value of RSUs is based on the grant-day intrinsic value of the shares that are expected to vest by the vesting date. Each RSU entitles the holder to receive a common share of the Company prior to, or on, its expiration date subject to achieving the performance criterion ("milestone") prior to, or on, its vesting date. The fair value is recorded in equity and expensed through profit and loss over the expected vesting period and is subject to remeasurement at the end of each reporting period based on the probability of achieving the milestone and adjustments for potential forfeitures.

As of June 30, 2024, the Company had 910,000 RSUs outstanding (June 30, 2023: 160,000) that subject to satisfying their respective vesting conditions. The RSUs have a weighted average time until vesting of 4.35 years (June 30, 2023: nil).

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Grant Date	Vesting Date	Expiration Date	Vesting Condition	As at			Settled in Cash	Settled in Shares	As at June 30, 2024
				June 30, 2023	Awarded	Cancelled			
<i>Vested RSUs</i>									
July 28, 2022	June 30, 2023	June 30, 2024	E	160,000	-	(25,000)	(95,500)	(39,500)	-
June 19, 2024	June 30, 2024	December 31, 2027	E	-	110,000	-	-	-	110,000
<i>Unvested RSUs</i>									
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				160,000	910,000	(25,000)	(95,500)	(39,500)	910,000

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

The following changes occurred during the year ended June 30, 2024:

- On May 28, 2024, a total of 500,000 RSUs were granted in tranches of 41,667 RSUs with variable vesting dates from February 1, 2025 to November 1, 2027 and expiration dates from February 1, 2028 to November 1, 2030.
- On May 28, 2024, a total of 300,000 RSUs were granted in tranches of 25,000 RSUs with vesting dates from September 30, 2024 to June 30, 2027 and expiration dates from September 30, 2026 to June 30, 2029.
- On June 19, 2024, a total of 110,000 RSUs were granted and vested on June 30, 2024 and expiration date of December 31, 2027. The holders will receive a total of 110,000 common shares.
- On June 30, 2024, a total of 39,500 RSUs were converted into common shares, 25,000 were cancelled, and 95,500 were settled in cash.

The following changes occurred during the year ended June 30, 2023:

- On July 14, 2022, the 30,000 and 40,000 RSUs granted on May 11, 2022 satisfied their respective vesting conditions.
- On July 28, 2022, the Company granted 160,000 RSUs with a vesting date of June 30, 2023 whereby the respective holders will receive a total of 160,000 common shares subject to being employed on the vesting date. The grant date fair value was estimated at \$322,818 based on a grant-date market price of \$2.02 (CAD\$2.59).
- On December 31, 2022, the 200,000 RSUs granted on March 19, 2021 satisfied their respective vesting conditions.
- On June 30, 2023, 184,107 RSUs were settled in common shares and 85,893 RSUs were settled in cash.
- On June 30, 2023, the 160,000 RSUs granted on July 28, 2022 satisfied their respective vesting conditions.

RELATED PARTY TRANSACTIONS

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Parties are related if one party has the direct or indirect ability to control or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control or common significant influence. Related parties include the Company subsidiaries, significant shareholders, and key management. Significant shareholders consist of Vision Blue, which owns 46.6% of the common shares. Key management consists of the Board of Directors, Chief Executive Officer, Chief Financial 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	Year ended June 30, 2024	Year ended June 30, 2023
Payroll and benefits	\$ 1,484,581	\$ 868,016
Management consulting fees	658,927	363,621
Professional fees	10,251	18,774
Share-based compensation	334,411	514,048
Total	\$ 2,488,170	\$ 1,764,459

During the year months ended June 30, 2024, Vision Blue participated in the prospectus offering financing completed on August 1, 2023 by subscribing to 14,151,500 common shares for gross proceeds of \$17,629,523 (CAD\$23,349,975).

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

Related party transactions contained within	As at June 30, 2024	As at June 30, 2023
Amounts receivable	\$ 56,623	\$ 185,478
Accounts payable and accrued liabilities	503,301	63,750
Current portion of royalty obligations	2,846,250	2,846,250
Long term portion of royalty obligations	8,745,628	9,170,631

Amounts receivable is for short-term loans to assist with the exercise of stock options. Accounts payable and accrued liabilities is for normal course accounts payable, accrued bonuses, and accrued director 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 year ended June 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 can involve the issuance of new equity, obtaining working capital loans, construction financing, issuing debt, the acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

Capital Resource Analysis

As of June 30, 2024, the Company had cash and cash equivalents of \$10,770,381 which is insufficient to fund its working capital requirements (including current liabilities of \$10,433,208) 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 year ended June 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 their 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.

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	As at June 30, 2024	As at June 30, 2023
Current Assets:		
Cash and cash equivalents	\$ 10,770,381	\$ 6,885,458
Amounts receivable	427,977	494,250
Inventories	1,002,793	470,336
Prepaid expenses	1,333,944	172,384
Total Current Assets	13,535,095	8,022,428
Current Liabilities:		
Accounts payable and accrued liabilities	4,473,128	3,014,594
Current portion of lease obligations	2,405,980	1,286,561
Current portion of royalty obligations	2,846,250	2,846,250
Commercial production obligation	707,850	754,973
Total Current Liabilities	10,433,208	7,902,378
Working Capital	3,101,887	120,050

Contractual Obligations and Commitments

As of June 30, 2024, the Company has contractual commitments with a vendor to make further payments of \$3,029,599 for equipment purchase orders for the Mauritius BAF.

The Company is subject to contractual commitments related to royalties as well as a commercial production obligation.

Off-balance sheet arrangements

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments are exposed to certain financial risks, which may include liquidity risk, credit risk, interest rate risk, commodity price risk, and currency risk:

Liquidity risk

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

- Accounts payable and accrued liabilities, which are generally due within 30 days.
- Minimum repayments under the royalty agreement that 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.
- Lease payment obligations that are due annually.

As of June 30, 2024, the Company had cash and cash equivalents of \$10,770,381 (June 30, 2023: \$6,885,458) to settle current liabilities of \$10,433,208 (June 30, 2023: \$7,902,378).

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.

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). 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.

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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, construction of the Mauritius BAF, 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 year ended June 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 \$1,599,832 (2023: \$3,953,376).

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.

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

		As at June 30, 2024	As at June 30, 2023
Cash and cash equivalents	CAD	\$ 3,599,424	\$ 2,119,393
Cash and cash equivalents	MGA	233,071	104,293
Cash and cash equivalents	MUR	204,126	38,448
Amounts receivable	CAD	167,886	246,616
Amounts receivable	MGA	100	-
Prepaid expenses	CAD	42,327	46,667
Prepaid expenses	ZAR	26,971	8,170
Prepaid expenses	MGA	1,023,304	4,184
Accounts payable and accrued liabilities	CAD	(570,544)	(306,903)
Accounts payable and accrued liabilities	MGA	(1,807,746)	(1,875,766)
Accounts payable and accrued liabilities	MUR	42,163	(92,542)
Accounts payable and accrued liabilities	GBP	(197,407)	16,469

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Accounts payable and accrued liabilities	ZAR	-	(836)
Commercial production obligations	CAD	(707,850)	(754,973)
Current portion of lease obligations	MGA	(135,346)	(41,628)
Net foreign exchange exposure in USD		\$ 1,920,478	\$ (488,407)
Impact of 10% increase in CAD/USD exchange rates		\$ 253,124	\$ 135,080
Impact of 10% increase in MGA/USD exchange rates		(68,662)	(180,892)
Impact of 10% increase in MUR/USD exchange rates		24,629	(5,409)
Impact of 10% increase in ZAR/USD exchange rates		2,697	733
Impact of 10% increase in GBP/USD exchange rates		(19,741)	1,647
Total		\$ 192,048	\$ (48,841)

As at June 30, 2024, the Company estimated that a 10% decrease of the USD versus foreign exchange rates would result in a gain of \$192,048 (June 30, 2023: loss of \$48,841) and a 10% increase in the USD versus foreign exchange rates would result in a loss of \$192,048 (June 30, 2023: gain of \$48,841).

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			
	June 30, 2024	March 31, 2024	December 31, 2023	September 30, 2023
	\$	\$	\$	\$
Revenues	-	-	-	-
Mine development expenses	-	-	-	-
Exploration and evaluation expenses	50,267	13,494	2,220	9,960
General and administrative expenses	2,516,681	1,597,376	1,373,878	1,278,982
Net income (loss)	(3,277,809)	(1,184,253)	(1,771,396)	(2,520,191)
Net income (loss) and comprehensive income (loss)	(4,023,644)	(918,507)	(1,222,882)	(2,546,429)
Net income (loss) per share (basic and diluted)	(0.03)	(0.01)	(0.01)	(0.02)
Working capital (deficit) surplus	3,101,887	15,492,811	27,946,881	34,290,453

	Quarter Ended			
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
	\$	\$	\$	\$
Revenues	-	-	-	-
Mine development expenses	(607,662)	452,514	286,475	224,376
Exploration and evaluation expenses	40,977	2,408	-	-
General and administrative expenses	1,125,134	1,048,154	656,849	652,390
Net income (loss)	(495,794)	(1,631,497)	(3,632,966)	(5,918,430)
Net income (loss) and comprehensive income (loss)	(3,245,502)	(2,094,964)	(2,415,565)	(5,813,100)
Net income (loss) per share (basic and diluted)	(0.00)	(0.01)	(0.03)	(0.06)
Working capital (deficit) surplus	120,050	5,451,580	13,706,665	(21,493,227)

SUMMARIZED ANNUAL DATA

	Year ended June 30, 2024	Year ended June 30, 2023	Year ended June 30, 2022
	\$	\$	\$
Revenues	\$ -	\$ -	\$ -
Mine development expenses	-	355,703	65,160
Exploration and evaluation expenses	75,941	43,385	177,955
General and administrative expenses	6,766,917	3,482,527	1,929,292
Net (loss) income	(8,753,649)	(11,678,687)	16,120,203

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Net (loss) income and comprehensive (loss) income	(8,711,462)	(13,569,131)	16,196,357
Weighted-average common shares (basic and diluted)	153,124,111	117,264,004	99,204,079
Net (loss) income per common share (basic and diluted)	(0.06)	(0.10)	0.16
Dividends declared	-	-	-
Total assets	92,848,702	52,976,660	29,297,860
Total non-current liabilities	30,112,490	19,872,347	8,029,289
Total liabilities	40,545,698	27,774,725	32,362,220
Total shareholders' equity (deficit)	52,303,004	25,201,935	(3,064,360)

MATERIAL ACCOUNTING POLICY INFORMATION AND ACCOUNTING ESTIMATES

The Company's Consolidated Financial Statements are prepared in accordance with IFRS Accounting Standards. The Consolidated 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 Accounting Standards, 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., the Company's President and Chief Executive 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 June 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 year ended June 30, 2024, that have materially affected, or are reasonably 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 June 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 June 30, 2024, the Company's internal control over financial reporting was not effective due to a material weakness that was identified. This material weakness created a reasonable possibility that a material misstatement of the Company's annual financial statements or interim financial reports would not be prevented or detected on a timely basis.

NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2024 and 2023

Description of a Material Weakness as at June 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 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 audited consolidated financial statements for the years ended June 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 the 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.