



**NextSource Materials Inc.**

**Annual Information Form  
for the year ended June 30, 2024**

**October 3, 2024**

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## INTRODUCTION

This Annual Information Form (the “AIF”) of NextSource Materials Inc. (“NextSource” or the “Company”) should be read in conjunction with Company’s management’s discussion and analysis for the year ended June 30, 2024 and 2023 (the “MD&A”) and the Company’s audited consolidated annual financial statements for the years ended June 30, 2024 and 2023 (the “Financial Statements”), each as filed under the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). All information disclosed in this AIF is presented as of June 30, 2024, unless otherwise stated.

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

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

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

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

Forward-looking information includes, but is not limited to, 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 battery anode facilities (“BAFs”) 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 partnerships; 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 operate Phase 1 of the Molo Graphite Mine and export products from Madagascar; additional permits and licenses are necessary to complete the development of Phase 2 of the Molo Graphite Mine; fluctuations in the market price of graphite and other metals may adversely affect the value of the Company’s securities, revenue projections and the ability of the Company to develop Phase 2 of the Molo Graphite Mine; estimates of mineral resources may not be realized; the Company has a limited operating history and expects to incur operating losses for the foreseeable future; due to the speculative nature of mineral property exploration, there is substantial risk that the Company’s assets will not go into commercial production and the business will fail; mining companies are increasingly required to consider and provide benefits to the communities and countries in which they operate, and are subject to extensive environmental, health and safety laws and regulations; because of the inherent dangers involved in mining operations and mineral exploration, there is a risk that the Company may incur liability or damages as the Company conducts business; should the Company lose the services of key executives, the Company’s financial condition and proposed expansion may be negatively impacted; access to the Company’s properties, mine operations, and export of product may be restricted by inclement weather or lack of proper infrastructure; climate change and related regulatory responses may impact the Company’s business; compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for management; tax risks; the Company may experience losses due to foreign exchange translations; the Company’s business is subject to anti-corruption and anti-bribery laws, a breach or violation of which could lead to civil and criminal fines and penalties, loss of licenses or permits and reputational harm; the Company is exposed to general economic conditions, which could have a material adverse impact on its business, operating results and financial condition; the market price for the common shares of the Company (the “**Common Shares**”) is particularly volatile given the Company’s status as a company with a small public float, limited operating history and lack of profits which could lead to wide fluctuations in the market price for the Common Shares; the Company does not intend to pay dividends in the foreseeable future; and other risks involved in the mineral exploration and development industry and risks specific to the Company, including the risk factors

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identified elsewhere in this AIF and in the MD&A under “*Risk Factors*” and in other continuous disclosure documents of the Company filed under the Company’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

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

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

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

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

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

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

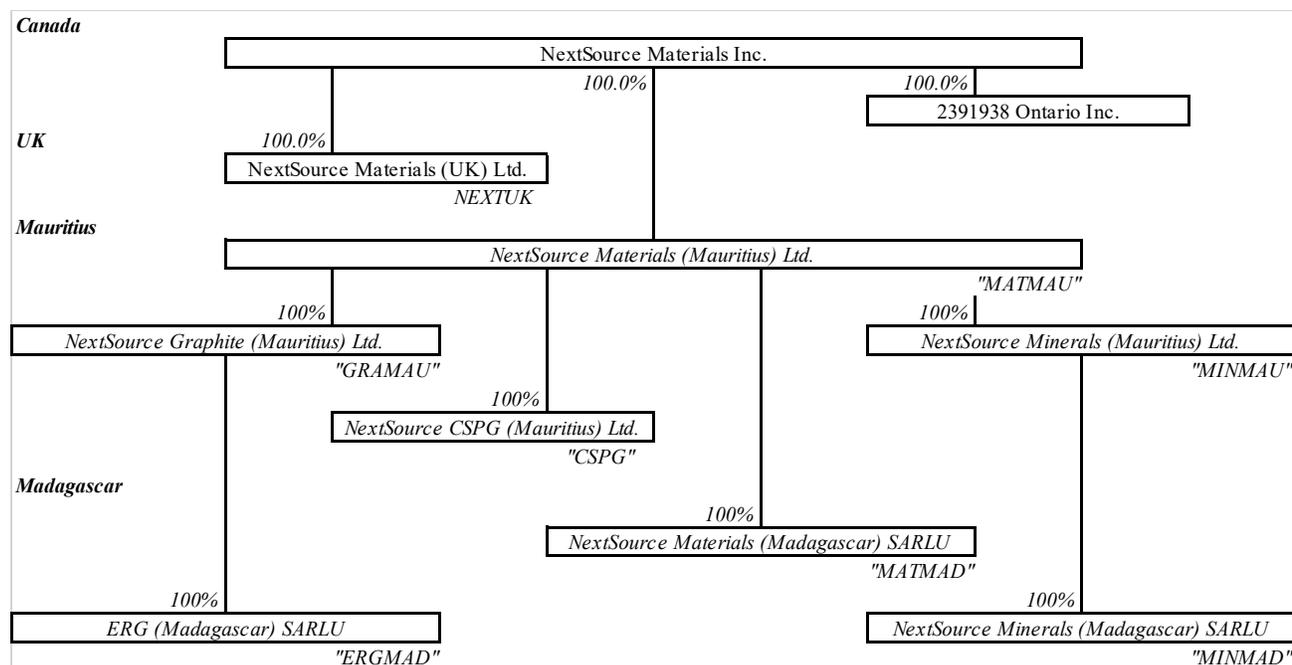
NextSource Materials Inc. was continued under the *Canada Business Corporations Act* from the State of Minnesota to Canada on December 27, 2017. The Company’s head and registered office is located at 130 King Street West, Exchange Tower, Suite 1943, Toronto, Ontario M5X 2A2. The Company’s website is [www.nextsourcematerials.com](http://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.

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**Intercorporate Relationships**

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



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

**GENERAL DEVELOPMENT OF THE BUSINESS**

**Three-Year History**

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

*Year Ended June 30, 2022*

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

On April 27, 2022, the Company filed a technical report entitled “Molo Phase 2 Preliminary Economic Assessment, National Instrument 43-101 Technical Report on the Molo Graphite Project located near the village of Fotadrevo, in the Province of Toliara, Madagascar” (“**Molo Phase 2**”) with an effective date of April 27, 2022 (the “**PEA**”). The technical report considered an expansion of the Molo Graphite Mine and stand-alone processing plant’s annual capacity of 17,000 tonnes to 150,000 tonnes per annum (“**tpa**”) of graphite concentrate over a 26-year life of mine.

On April 28, 2022, the Company announced the initiation of the Feasibility Study (as defined herein) and front-end engineering design (“**FEED**”) in respect of Molo Phase 2.

*Year Ended June 30, 2023*

On August 17, 2022, the Company received an additional USD\$3.0 million from Vision Blue Resources Ltd. (“**Vision Blue**” or “**VB**”) as part of a royalty financing agreement entered into in connection with the financing package announced in February 2021 between VB and the Company (the “**Financing Package**”).

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

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

On March 23, 2023, the Company announced the initiation of commissioning of the Molo Graphite Mine under the Phase 1 capacity of 17,000 tpa and the appointment of Dr. Markus Reichardt as Vice President, Sustainability.

On June 22, 2023, the Company announced the first production of SuperFlake® graphite concentrate for Molo Phase 1.

*Year Ended June 30, 2024*

On August 1, 2023, the Company completed an overnight marketed, public offering of 30,303,500 Common Shares at a price of C\$1.65 per Common Share for gross proceeds of C\$50,000,775 (the “**2023 Offering**”). The 2023 Offering was conducted through a syndicate of underwriters co-led by Cormark Securities Inc., BMO Capital Markets, and Clarus Securities Inc. (collectively, the “**Underwriters**”), pursuant to an underwriting agreement dated July 13, 2023, entered into among the Company and the Underwriters. Vision Blue purchased 14,151,500 Common Shares under the 2023 Offering to maintain its pro rata ownership in the Company.

On September 5, 2023, the Company announced the signing of a non-binding memorandum of understanding (the “**MoU**”) with South Korea’s POSCO International Corp. (“**POSCO**”) for strategic collaboration that could involve an equity investment into the Company as well as a long-term offtake agreement for spheronized and purified graphite (“**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 of South Korea’s major battery cell manufacturers with finished cathode and anode materials. Prior to executing a definitive agreement, certain customary technical and economic studies must be completed.

On September 28, 2023, the former industrial lease for the Mauritius BAF was terminated and the Company announced that the results of the initial Mauritius BAF Technical Study (the “**Initial Mauritius BAF Technical Study**”) specific to this site should no longer be relied upon.

On November 24, 2023, the Company announced that Robin Borley resigned as Chief Operating Officer and as a director of the Company and announced the appointment of Johnny Velloza as Chief Operating Officer, on an interim basis.

On December 6, 2023, the Company announced the appointment of Martina Buchhauser to the Board.

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 Graphite Mine up to a production capacity of 150,000 tpa of SuperFlake® graphite concentrate. Readers should refer to Schedule “A” for a summary of the Feasibility Study.

On April 10, 2024, the Company announced the signing of a new 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 Jin-Fei site.

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. 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 relationships with graphite supply chain auto manufacturers (“**OEMs**”) around the world.

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.

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 a first step into the Middle East.

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*Developments Since June 30, 2024*

On July 9, 2024, the Company announced the appointment of Jaco Crouse as Chief Financial Officer (“CFO”) effective immediately. Mr. Crouse replaced Marc Johnson who served as CFO since October 2015.

On August 12, 2024, the Company announced the appointment of Dr. Tilo Hauke as Executive Vice President of Downstream Operations, effective October 1, 2024.

**Significant Acquisitions**

The Company did not complete any significant acquisitions during the year ended June 30, 2024.

**DESCRIPTION OF THE BUSINESS**

**General**

The Company is intent on becoming a vertically integrated global supplier of battery materials through the mining and value-added processing of its proprietary SuperFlake® graphite concentrate and potentially other battery minerals from non-foreign entities of concern (“FEOC”). 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 BAFs in Mauritius.

**Mineral Projects**

*Molo Graphite Mine, Province of Toliara, Madagascar*

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

On March 23, 2023, the Company announced 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 Graphite Mine has not met the commercial production threshold and as a result, the Molo Graphite Mine and processing plant are still classified as an asset-under-construction and commissioning costs are being capitalized. 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 and CSPG from the Company’s planned BAF in Mauritius.

For additional information with respect to the Molo Graphite Mine, readers are referred to the MD&A as well as Schedule “A” hereto, which is the summary section from the Feasibility Study reproduced in its entirety. The Feasibility Study was prepared by Johann de Bruin, Pr. Eng., Philip John Hancox, Pr. Sci. Nat., Sivanesan (Desmond) Subramani, Pr. Sci. Nat., Oliver Peters, P. Eng., Ruan Albert Daffue, Nico Hamman, and Eugene de Villiers, Pr. Eng, each of whom is a “qualified person” for the purposes of NI 43-101. See also “Risk Factors” in this the AIF and the MD&A.

*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 Q4 2024 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 Tullear (Toliar) for shipment.

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

- First commercial shipment of SuperFlake® graphite concentrate

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

*Molo Graphite Mine Expansion – Molo Phase 2*

The Company has published the Feasibility Study for a proposed expansion of the Molo Graphite Mine up to a production capacity of 150,000 tpa of SuperFlake® graphite concentrate.

The Company announced the signing of a mandate letter with the IFC on June 13, 2024, to lead a senior debt facility totaling US\$91 million to partially fund an expansion of the Molo Graphite 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 will not occur until a binding offtake agreement for the expanded capacity has been secured as well as sufficient funding for construction costs and working capital.

*Green Giant Vanadium Project, Province of Toliara, Madagascar*

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

*Sagar Project, Labrador Trough Region, Quebec, Canada*

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

**Battery Anode Facilities**

The BAFs are value-added processing facilities that are capable of converting flake graphite into SPG and 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 any BAF or 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. 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 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 SPG to major OEMs. The Company also has an agreement with 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. As at June 30, 2024, the Company had invested \$9,492,982 (June 30, 2023: \$717,403) via its technology partner in the manufacturing of proven and proprietary BAF technology. The manufactured equipment is transportable and can be erected in any suitable 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.

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- 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 combined with securing a long-term offtake agreement for 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.

#### *Mauritius BAF*

On September 28, 2023, the former industrial lease for the Mauritius BAF was terminated and the Company announced that the results of the Initial Mauritius BAF Technical Study specific to this site should no longer be relied upon. On April 10, 2024, the Company announced the signing of a new 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 Jin-Fei site.

The Mauritius BAF is expected 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 initiation of construction activities is subject to the completion of a prescribed environmental impact assessment (“**EIA**”) process, completion of the 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 principal uncertainties associated with EIA and permit approval process are:

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

#### *Other Battery Anode Facility Initiatives*

On September 5, 2023, the Company announced the signing of the non-binding 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 a first 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
- Completion of EIA for the Mauritius BAF and further evaluation of BAFs in the Middle East.
- Taking delivery of process equipment and initiation of construction at the Company’s first BAF site
- Progressing an AG technology partnership

### **Specialized Skill and Knowledge**

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

### **Competitive Conditions**

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

### **Trends**

#### *Global market for and supply of flake graphite*

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 IRA. The IRA restricts the use of critical materials from FEOC which includes China, Iran, North Korea and Russia.

With China estimating to dominate >75% of the current graphite supply chain 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.

### **Economic Dependence**

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

### **Environmental Protection**

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

### **Employees**

As of June 30, 2024, the Company had 265 employees and 15 management consultants. No assurance can be given that the Company can retain qualified employees when necessary.

### **Foreign Operations**

The Company's foreign operations in Madagascar, Mauritius, and the Middle East are exposed to various levels of political, economic and social risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; military repression; expropriation; political corruption, extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; war or civil unrest; renegotiation or termination of existing concessions, licenses, permits and contracts; ability of governments to unilaterally alter agreements; surface land access issues; illegal mining; changes in taxation policies, laws and regulations; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any changes in regulations or shifts in political attitudes in such foreign countries are

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beyond our control and may adversely affect our business. Future development and operations may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to restrictions on production, export controls, import restrictions, such as restrictions applicable to, among other things, equipment, services and supplies, taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, surface land access, land claims of local people and mine safety.

**Bankruptcy and Similar Procedures**

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

**Reorganizations**

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

**Social and Environmental Policies**

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

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

**RISK FACTORS**

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

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

**Risks Related to BAF Technical Studies.**

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

### **Risks Related to Emerging Markets.**

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

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

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

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

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

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

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

### **Development, Commissioning, and Operation of the BAFs.**

The development, commissioning, and operation of BAFs (including the Mauritius BAF) is based on management's expectations, and may be delayed by several factors, some of which are beyond the Company's control. There is a risk that development, commissioning, and achievement of commercial production will not be completed on time or on budget, or at all. Successful development and operation of the Mauritius BAF may be affected by opposition to the project by local communities or authorities, the design and construction of an efficient processing facility, the cost and availability of suitable machinery, supplies, equipment and skilled labor, the existence of competent operational management, prudent financial administration, and the availability and reliability of appropriately skilled and experienced employees. Until all required approvals are received in order to allow the Company to begin construction and development of the Mauritius BAF, there is no guarantee that the Mauritius BAF will be built on the currently identified property, or at all.

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

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

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

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

### **Geopolitical Risk and Conflict.**

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

### **Additional Financings.**

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

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

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

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

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

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

**The Company has a Significant Shareholder**

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

**Economic dependence on the Molo Graphite Mine.**

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

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

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

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

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

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

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

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graphite and other metals, which could adversely impact the projected revenues from the Molo Graphite Mine. Prolonged decreases in the price of graphite or other metals could adversely impact the ability of the Company to proceed with the development of Phase 2 of the Molo Graphite Mine.

**Estimates of mineral resources may not be realized.**

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

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

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

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

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

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

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

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

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

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varied in a manner that adversely affects the Company's operations, including its ability to explore or develop properties, commence production or continue operations.

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

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

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

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

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

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

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

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

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

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

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

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

To the extent that climate change increases the risk of natural disasters or other disruptive events in the areas in which the Company operates, the Company could be harmed. While the Company maintains rudimentary business recovery plans that are intended to allow

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the Company to recover from natural disasters or other events that can be disruptive to the Company's business, its plans may not fully protect the Company from all such disasters or events.

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

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

**Tax risks.**

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

**The Company may experience losses due to foreign exchange translations.**

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

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

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

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

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

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

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The market price for the Common Shares is characterized by significant price volatility when compared to seasoned issuers, and the Company expects that its share price will continue to be more volatile than a seasoned issuer. Such volatility is attributable to a number of factors. First, the Common Shares, at times, are thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of Common Shares by shareholders may disproportionately influence the price of those Common Shares in either direction. The price for the Common Shares could, for example, decline precipitously in the event that a large number of Common Shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Second, the Company is a speculative or “risky” investment due to the Company’s limited operating history, lack of profits to date and uncertainty of future market acceptance for the Company’s potential products. As a consequence, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond the Company’s control and may decrease the market price of the Common Shares, regardless of the Company’s performance. The Company cannot make any predictions as to what the prevailing market price for the Common Shares will be at any time or what effect that the sale of Common Shares or the availability of Common Shares for sale at any time will have on the prevailing market price.

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

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

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

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

**DIVIDENDS AND DISTRIBUTIONS**

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

**DESCRIPTION OF THE CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of Common Shares, of which 155,823,007 Common Shares are outstanding as at the date hereof. Holders of Common Shares are entitled to receive notice of any meetings of the holders of Common Shares of the Company and to attend and to cast one vote per Common Share held at all such meetings.

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

**MARKET FOR SECURITIES**

*Trading Price and Volume*

The outstanding Common Shares are listed and posted for trading on the TSX under the symbol “NEXT” and on the OTCQB under the symbol “NSRCF”. The table below sets forth the high and low closing sale prices and volume of the Common Shares on the TSX for each month of the financial year ended June 30, 2024. Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

<b>Period</b>	<b>High Trading Price (C\$)</b>	<b>Low Trading Price (C\$)</b>	<b>Volume</b>
July 2023	2.10	1.52	1,600,800
August 2023	1.70	1.41	1,233,400
September 2023	1.76	1.27	971,300
October 2023	1.96	1.20	3,368,300
November 2023	1.54	1.16	2,147,100
December 2023	1.29	0.99	4,553,300
January 2024	1.24	0.78	1,682,400
February 2024	0.92	0.64	1,587,000
March 2024	0.85	0.60	1,715,800
April 2024	0.87	0.67	2,130,300
May 2024	1.03	0.62	1,791,000
June 2024	0.91	0.72	1,390,900

*Prior Sales*

The following table summarizes the issuances by the Company of Common Shares, and securities convertible into or exchangeable for Common Shares, during the financial year ended June 30, 2024 and including to the date hereof.

<b>Date</b>	<b>Type of Security Issued</b>	<b>Issuance / Exercise Price Per Security</b>	<b>Number of Securities Issued</b>
August 1, 2023	Common Shares <sup>(1)</sup>	C\$1.65	30,303,500
November 8, 2023	Common Shares <sup>(2)</sup>	C\$1.39	209,000
May 28, 2024	Stock Option <sup>(3)</sup>	C\$0.89	1,000,000
May 28, 2024	Restricted Share Units <sup>(4)</sup>	N/A	500,000
May 28, 2024	Restricted Share Units <sup>(5)</sup>	N/A	300,000
June 19, 2024	Restricted Share Units <sup>(6)</sup>	N/A	110,000
June 28, 2024	Common Shares <sup>(7)</sup>	N/A	39,500

Notes:

- (1) Issued in connection with the 2023 Offering.
- (2) Issued in connection with the severance agreement of the former chief operating officer.
- (3) Each Option entitles the holder thereof to one Common Share, subject to adjustments, vests on November 1, 2024 and expires on May 22, 2034.
- (4) Each Restricted Share Unit entitles the holder thereof to a cash settlement based on the corresponding share price upon vesting. The Restricted Share Units vest quarterly in tranches of 41,667 units from February 1, 2025 to November 1, 2027.
- (5) Each Restricted Share Unit entitles the holder thereof to a cash settlement based on the corresponding share price upon vesting. The Restricted Share Units vest quarterly in tranches of 25,000 units from September 30, 2024 to June 30, 2027.
- (6) Each Restricted Share Unit entitles the holder thereof to a cash settlement based on the corresponding share price upon vesting and vested on June 30, 2024.
- (7) Issued in connection with the conversion of Restricted Share Units.

**SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

To the knowledge of the Company, there are no securities of the Company that are subject to a contractual restriction on transfer, as at the date hereof.

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**DIRECTORS AND OFFICERS**

**Name, Occupation, and Securityholdings**

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

<b>Name</b>	<b>Company Position</b>	<b>Principal Occupation<sup>(1)</sup></b>	<b>Director or Officer Since</b>	<b># and % of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly<sup>(2)</sup></b>
Sir Mick Davis (London, UK)	Chair of the Board of Directors	CEO of Vision Blue Resources Ltd.	March 2021	72,595,072 <sup>(7)</sup> (46.6%)
Craig Scherba <sup>(6)</sup> (Riviere Noire, Mauritius)	Director, and President & Chief Executive Officer		January 2010	445,993 (0.29%)
Brett Whalen <sup>(3)</sup> (Markham, ON, Canada)	Director	Professional investor	July 2020	1,033,360 (0.66%)
Christopher Kruba <sup>(3)(4)(5)</sup> (Windsor, ON, Canada)	Director	Vice-President and Senior Counsel of Nostrum Capital Corporation	December 2020	368,070 (0.24%)
Ian Pearce <sup>(3)(4)(6)</sup> (Toronto, ON, Canada)	Director	Chair of the Board of Directors of Newgold Inc., Director of Nexa Resources, Northland Power Inc., and Metso Outotec	July 2021	41,306 (0.03%)
Martina Buchhauser <sup>(3)(5)(6)</sup> (Gauting, Germany)	Director	Senior advisor of H&Z Management Consulting and non-executive director of Innovative Aluminum Engineering and of Plastic Omnium	December 2023	Nil (0.0%)
Hanre Rossouw (Cape Town, South Africa)	Director	CFO of SASOL Ltd.	September 2024	Nil (0.0%)
Jaco Crouse (Toronto, ON, Canada)	Chief Financial Officer		July 2024	Nil (0.0%)
Brent Nykoliotion (Toronto, ON, Canada)	SVP Corporate Development		November 2008	454,053 (0.29%)
Markus Reichardt (Isleworth, United Kingdom)	Vice President, Sustainability		March 2023	Nil (0.0%)
Danniel Stokes (Lancashire, United Kingdom)	Vice President, Special Projects		October 2022	Nil (0.0%)

Notes:

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

**Cease Trade Orders, Bankruptcies, Penalties and Sanctions**

No directors or executive officers of the Company: (i) is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that (a) was subject to a cease trade order; an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “**Order**”) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (ii) is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (iii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

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

**Conflicts of Interest**

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

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

**LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

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

Vision Blue holds 72,595,072 Common Shares representing approximately 46.6% of the issued and outstanding Common Shares, which were acquired in connection with the Financing Package, the exercise of VB warrants, and the 2023 Offering. Vision Blue also holds a royalty on the Molo Graphite Mine and a royalty on the Green Giant Vanadium Project. Vision Blue was also granted certain other rights in connection with the Financing Package, including equity participation rights, as disclosed herein. The Chairman of Vision

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Blue, Sir Mick Davis, was appointed as Chair of the Board of the Company on March 5, 2021. The second Vision Blue appointee, Ian Pearce, was appointed to the Board on July 14, 2021.

**TRANSFER AGENT AND REGISTRAR**

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

**MATERIAL CONTRACTS**

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

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

**INTEREST OF EXPERTS**

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

1. PricewaterhouseCoopers LLP, Chartered Professional Accountants, have prepared an independent auditor's report dated October 3, 2024 in respect of the Company's consolidated financial statements as at June 30, 2024 and for the year then ended. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.
2. Johann de Bruin, Pr. Eng., Director at Erudite Projects (Pty) Ltd., is a qualified person who authored certain portions of the Feasibility Study. To the knowledge of the Company, neither the author nor the firm the author works with had an interest in any securities or other properties of the Company, its associates or affiliates as at the date of the Feasibility Study or as at the date hereof.
3. Philip John Hancox, Pr. Sci. Nat., Director at Caracle Creek International Consulting (Pty) Ltd., is a qualified person who authored certain portions of the Feasibility Study. To the knowledge of the Company, neither the author nor the firm the author works with had an interest in any securities or other properties of the Company, its associates or affiliates as at the date of the Feasibility Study or as at the date hereof.
4. Sivanesan (Desmond) Subramani, Pr. Sci. Nat., Principal Resource Geologist at Caracle Creek International Consulting (Pty) Ltd., is a qualified person who authored certain portions of the Feasibility Study. To the knowledge of the Company, neither the author nor the firm the author works with had an interest in any securities or other properties of the Company, its associates or affiliates as at the date of the Feasibility Study or as at the date hereof.
5. Oliver Peters, P. Eng., Principal Metallurgist at Metpro Management Inc., is a qualified person who authored certain portions of the Feasibility Study. To the knowledge of the Company, neither the author nor the firm the author works with had an interest in any securities or other properties of the Company, its associates or affiliates as at the date of the Feasibility Study or as at the date hereof.
6. Ruan Albert Daffue, is a qualified person who authored certain portions of the Feasibility Study. To the knowledge of the Company, neither the author nor the firm the author works with had an interest in any securities or other properties of the Company, its associates or affiliates as at the date of the Feasibility Study or as at the date hereof.
7. Nico Hamman, is a qualified person who authored certain portions of the Feasibility Study. To the knowledge of the Company, neither the author nor the firm the author works with had an interest in any securities or other properties of the Company, its associates or affiliates as at the date of the Feasibility Study or as at the date hereof.

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8. Eugene de Villiers, Pr. Eng, is a qualified person who authored certain portions of the Feasibility Study. To the knowledge of the Company, neither the author nor the firm the author works with had an interest in any securities or other properties of the Company, its associates or affiliates as at the date of the Feasibility Study or as at the date hereof.
9. Craig Scherba, P. Geo., President and Chief Executive Officer of the Company, is the qualified person who reviewed, approved and verified the scientific and technical information disclosed in this AIF. Mr. Scherba's holdings of securities of the Company as of the date hereof do not exceed 1.0% of the issued and outstanding securities of the Company.

### **AUDIT COMMITTEE**

#### **Audit Committee Charter**

Attached hereto as Schedule "B" is the Audit Committee Charter.

#### **Oversight**

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

#### **Meetings**

During the financial year ended June 30, 2024, the audit committees met four times in person or by telephone.

#### **Composition**

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

#### **Relevant Education and Experience**

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

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

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

#### **External Auditor Service Fees**

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PricewaterhouseCoopers LLP served as external auditor for the fiscal year ended June 30, 2024. MNP LLP served as external auditor for the fiscal year ended June 30, 2023. The Board considers that the work done by PricewaterhouseCoopers LLP is compatible with maintaining PricewaterhouseCoopers LLP as external auditor for the next fiscal year.

During the years ended June 30, 2024 and 2023, the Audit Committee pre-approved all of the fees invoiced by PricewaterhouseCoopers LLP and MNP LLP, respectively.

	Year-ended June 30, 2024	Year-ended June 30, 2023
Audit Fees <sup>(1)</sup>	\$210,374	\$39,857
Audit-Related Fees <sup>(2)</sup>	\$Nil	\$66,061
Tax Fees <sup>(3)</sup>	\$Nil	\$38,291
All Other Fees <sup>(4)</sup>	\$Nil	\$Nil

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

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

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

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

**ADDITIONAL INFORMATION**

Additional information related to the Company is provided in the Financial Statements and MD&A for the years ended June 30, 2024 and 2023, which are available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or on the Company website at [www.nextsourcematerials.com](http://www.nextsourcematerials.com).

## **SCHEDULE “A” - MOLO GRAPHITE MINE FEASIBILITY STUDY**

*The summary in this Schedule A does not purport to be a complete summary of the Molo Graphite Mine and is subject to all of the assumptions, qualifications and procedures set out in the Feasibility Study and is qualified in its entirety with reference to the full text of the Feasibility Study, which is incorporated by reference herein. Readers should read the summary in this Schedule “A” in conjunction with the Feasibility Study which is available electronically under the profile of the Company at [www.sedarplus.ca](http://www.sedarplus.ca). Capitalized terms used in this Schedule “A” and not otherwise defined shall carry the meanings of such terms as defined in the Feasibility Study.*

### **Introduction**

The Company is currently focused on the development of its 100% owned Molo Graphite Project using a phased approach to de-risk its development plans, the Company has constructed the first phase during 2022 and 2023 and is ramping up production to nameplate capacity of 17,000 tpa. The most recent Technical Report filed on [www.sedarplus.ca](http://www.sedarplus.ca) sets out the development plans to increase capacity to 150,000 tpa.

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

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

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

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

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

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

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

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

Anticipating the future demand for industrial minerals such as those held by the Company (Graphite and Vanadium) is complex. The demand for these minerals is, to a large extent, driven by the development of the battery market which remains uncertain, but bullish.

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

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

The most recent technical report, MOLO GRAPHITE MINE EXPANSION NI 43-101 TECHNICAL FEASIBILITY STUDY REPORT 2023 issued on September 1, 2023, (hereinafter referred to as the “PEA”) considers a Phase 2 stand-alone processing plant capable of processing 2,500,000 tpa of ore producing approximately 150,000 tpa of graphite concentrate over a 26 year LoM.

This PEA utilises the knowledge base of the FS technical report.

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

**Project Location**

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

**Project Description**

Phase 1 of the Molo Graphite Mine consists of the construction of a Greenfield open pit mine, a processing plant capable of processing 240,000 tpa of ore, producing 17,000 tpa of graphite concentrate, and all supporting infrastructure including water, fuel, power, co-disposal tailings, buildings and permanent accommodation.

This FS considers the addition of a stand-alone processing plant capable of processing 2,640,000 tpa of ore, increasing production to 150,000 tpa of graphite concentrate over a 25 year LoM, and all supporting infrastructure including water, fuel, power, co-disposal tailings facility, buildings and permanent accommodation.

**Property Description and Ownership**

*Property Description*

The property includes 790 claims and an area totalling 308.6 km<sup>2</sup>.

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

The property is within Exploitation / Mining Permit PE #39807 which covers an area of 175 km<sup>2</sup> or 17,500 hectares ("ha"), and Exploration Permits PR #39806 and PR #39810 which cover areas of 96.1 km<sup>2</sup> (9,609 ha) and 37.5 km<sup>2</sup> (3,750 ha), respectively.

*Ownership*

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

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

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

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

Mineral Resources and Reserves delineated in Sections 14 and 15 of this Report are entirely within the bounds of Exploitation Permit PE #39807. The Company holds the exclusive right to exploit / mine and explore for graphite within this license area for a period of 40 years and can renew the license several times for a further period of 20 years upon each renewal.

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

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

The updated Decret requires the payment of annual administration fees of Permits Research of 15,000 Ariary (MGA) for exploitation permits in years 1 and 2. Annual fees increase by multiplying by a factor equivalent to the number of years (plus 1) that the company has held the permit. Exploration permits have an updated duration of 5 years, with the possibility of 2 renewals of an additional 3 years each.

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Payments of the administration fees are due each year on March 31, along with the submission of an activity report. Each year the Company is required to pay a similar, although increasing amount to maintain the claims in good standing.

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

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

#### *The Company’s Royalties*

Prior to the expansion 5% of revenue and 3.5% of the FOB value of sales is payable to the Government of Madagascar. After the expansion, and successful application of the LGIM, the royalty decreases to 2.5% of revenue and 3.5% of FOB value of sales.

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

#### **Exploitation and Exploration Permits**

Exploitation Permit PE #39807 (175 km<sup>2</sup>) and Exploration Permits PR #39806 and PR #39810 are held under the name of a subsidiary of the Company called ERG (Madagascar) Ltd. S.A.R.L.U. and was granted to the Company by BCMM on February 14, 2019.

#### **Geologic Setting and Mineralization**

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

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

#### **Exploration**

Significant exploration was carried out in 2011 that included activities of prospecting, grab and trench sampling, and diamond drilling. The exploration programme included the use of geophysical techniques to delineate additional graphite mineralisation. Initial graphitic carbon results from the 2011 trenching were encouraging in that they showed multiple graphitic horizons present in each zone, of significant widths and grades. Additional trenching was undertaken on Molo during 2013 as part of a bulk sampling exercise. Subsequently an additional nine trenches, totalling 1,876m, have been excavated as part of the 2014 exploration programme.

The 2011 diamond drilling included several wide spaced holes on the Molo deposit. Most of these drill holes, over a strike length of 1.2 km, that intersected graphitic mineralisation to a vertical depth of 75m, with down-hole thicknesses of between 60m and 150m in width. Additionally, forty-one diamond drill holes, comprising 8,502.7m of diamond drilling was completed on Molo during 2012. During 2014 an additional 32 diamond drill holes, totalling 2,063m was completed. With this most recent drill programme, a total of 80 diamond drill holes, totalling 11,660m, was completed on Molo, and these were used for the mineral resource estimations.

No additional exploration was required for this FS.

#### **Mineral Resource Estimate**

The block model used to generate the current Mineral Resource Estimate for this FS has an effective date of 01 September 2014. The Resource is based on 80 core drill, 35 trenching, which produced 8,643 samples.

The Resource block model was produced using (Datamine Studio RM).

The current Resource was constrained by a 2% Cg cut-off grade, to a depth of 350m below surface.

Mineral resource estimates for the Molo Graphite Mine remains open along strike and to depth. (Table 1).

Table 1: Mineral Resource Statement

<b>Molo Mineral Resource Statement – 1 September 2023</b>				
<b>Classification</b>	<b>Material Type</b>	<b>Resource Tonnes</b>	<b>Grade</b>	<b>Contained Carbon Graphite</b>
		<b>(kt)</b>	<b>(% Cg)</b>	<b>(kt)</b>
Measured	“Low-Grade”	13,048	4.64	605
Measured	“High-Grade”	10,573	8.40	888
<b>Total Measured</b>		<b>23,622</b>	<b>6.32</b>	<b>1,493</b>
Indicated	“Low-Grade”	39,539	4.73	1,871
Indicated	“High-Grade”	37,207	7.86	2,925
<b>Total Indicated</b>		<b>76,746</b>	<b>6.25</b>	<b>4,796</b>
Measured + Indicated	“Low-Grade”	52,588	4.71	2,476
Measured + Indicated	“High-Grade”	47,780	7.98	3,813
<b>Total Measured + Indicated</b>		<b>100,367</b>	<b>6.27</b>	<b>6,289</b>
Inferred	“Low-Grade”	24,233	4.46	1,081
Inferred	“High-Grade”	16,681	7.70	1,285
<b>Total Inferred</b>		<b>40,915</b>	<b>5.78</b>	<b>2,366</b>

Notes:

- (1) Mineral resources have been classified using the 2014 CIM Definition Standards.
- (2) Mineral resources are reported inclusive of mineral reserves.
- (3) “Low Grade” mineral resources are resources in a low-grade zone and stated at a cut-off grade of 2% Cg with no upper limit.
- (4) “High Grade” mineral resources are resources in a high-grade zone and stated at a cut-off grade of 4% Cg with no upper limit.
- (5) Eastern and western high-grade assays are capped at 15% Cg.
- (6) A relative density of 2.36 tonnes per cubic meter (t/m<sup>3</sup>) was assigned to the mineralized zones for the mineral resource tonnage estimation.
- (7) Totals may not represent the sum of the parts due to rounding.
- (8) Mineral resources are defined as surface mineable only.
- (9) Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that any mineral resource will be converted into a mineral reserve.
- (10) % Cg = percentage Carbon Graphite.
- (11) The mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

The total Measured and Indicated Resource is estimated at 100.37 Mt, grading at 6.27% carbon. Additionally, an Inferred Resource of 40.91 Mt, grading at 5.78% carbon is stated.

**Mineral Reserve Estimate**

The Molo deposit will be mined using conventional open pit mining methods consisting of drilling, blasting, loading, and hauling. Ore will be hauled to the primary crusher and waste rock and tailings will be placed in a co-disposal tailings facility (TSF).

The Mineral Reserves for Molo were prepared by Eugene de Villiers, Pr.Eng., ECMA Consulting; a Qualified Person as defined under National Instrument 43-101.

Development of the LoM plan included pit optimization, pit design, mine scheduling and the application of modifying factors to the Measured and Indicated Mineral Resources. The reference point for the Mineral Reserves is the feed to the primary crusher. The tonnages and grades reported are inclusive of mining dilution, geological losses, and operational mining losses.

Table 2 below shows the Mineral Reserves that have been estimated for the Molo Mine, which include 21.3 Mt of Proven Mineral Reserves at an average grade of 6.25% Cg and 32.4 Mt of Probable Mineral Reserves at an average grade of 6.09% Cg for a total of 53.7 Mt of Proven and Probable Mineral Reserves at an average grade of 6.15% Cg. To access these Mineral Reserves, 19.2 Mt of waste rock must be mined, resulting in a strip ratio of 0.3:1.

**Table 2: Mineral Reserves**

<b>Molo Mineral Reserve Statement – 1 September 2023</b>				
<b>Classification</b>	<b>Material Type</b>	<b>Ore</b>	<b>Grade</b>	<b>Contained Carbon Graphite</b>
		<b>(kt)</b>	<b>(% Cg)</b>	<b>(kt)</b>
<b>Proven</b>	“High Grade”	15,489	7.00	1,085
	“Low Grade”	5,845	4.25	248
	<b>Total</b>	<b>21,334</b>	<b>6.25</b>	<b>1,333</b>
<b>Probable</b>	“High Grade”	24,734	6.64	1,642
	“Low Grade”	7,677	4.32	331
	<b>Total</b>	<b>32,412</b>	<b>6.09</b>	<b>1,973</b>
<b>Total Reserves</b>		<b>53,746</b>	<b>6.15</b>	<b>3,306</b>

Notes:

- (1) Mineral reserves have been classified using the 2014 CIM Definition Standards
- (2) Assumes that all modifying factors have been applied, including mining losses of 5% and mining dilution of 3%.
- (3) Assumes a reserve cut-off grade of 3% Cg has been applied, with all material below this cut-off grade treated as waste. “Low Grade” mineral reserves are classified as ore with a grade  $\geq 3\%$  Cg and  $\leq 5\%$  Cg.
- (5) “High Grade” mineral reserves are classified as ore with a grade  $> 5\%$  Cg.
- (6) Totals may not represent the sum of parts due to rounding.
- (7) % Cg = percentage Carbon Graphite. (8) The estimate of mineral reserves may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

**Mining**

The mine design, scheduling, and costing for the project was completed by independent specialists. During the development of Molo Phase 1, open pit mining was identified as the most appropriate and cost effective method of mining. The open pit mining method that is currently employed at Molo is proven to be adequate and, has been extended for the FS due to the surficial, lateral expanse and the massive nature of the Molo deposit.

Mining will be carried out by means of drilling and blasting 4.0m thick benches, and loading of the 4m benches will be done by means of FEL and Excavators. The current loading fleet consists of 3 FEL with 3m<sup>3</sup> buckets and 2 diesel-powered hydraulic excavators equipped with 1.3m<sup>3</sup> buckets, and will increase by an additional 2 diesel powered hydraulic excavators equipped with x 4.5m<sup>3</sup> buckets

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to support full production. The hauling fleet of 37 rigid frame mining trucks will increase to 14, 37t rigid frame mining trucks to support full production. A Front End Loader and 2 x 37t rigid frame mining trucks will be utilized to load and haul a blend of ore from the Run of Mine (ROM) stockpile to the ROM tip.

The mine will operate on two 8 hour shifts, 5 days per week, while the process plant will operate 24 hours per day, 365 days per year. A crushed ore bin will be filled before the mine shuts down for the evenings and weekends, and can be fed by the front-end loader at the ROM stockpile.

The ultimate pit designed for the Project considers 15m wide haul ramps for double-lane traffic, a maximum ramp grade of 10%, and a minimum mining width of 30m.

Open House Management Solutions (OHMS) carried out an open pit slope investigation and stability assessment in 2014.

The final pit is approximately 1,500m long and 550m wide on surface. The total surface area of the pit is approximately 83 ha. The pit contains 4 independent ramp systems which are required for pit phasing. The deepest part of the pit is at the 345m elevation, in the middle of the pit, where the total depth of the pit from surface reaches 219m.

The deposit will be mined from south to north to maximize the ore grade to be processed.

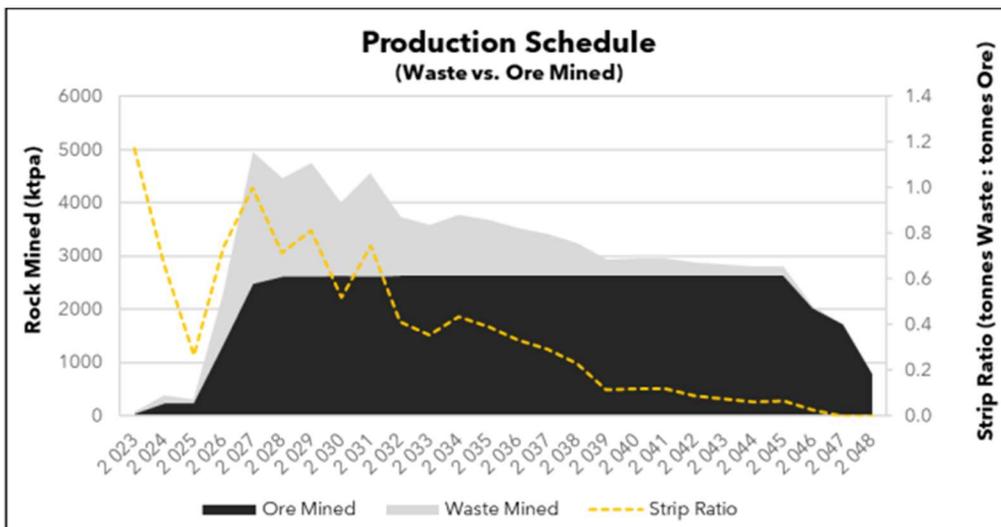
A mine production plan has been prepared using Deswik software. The mine plan has been scheduled and reported on a monthly/annual basis for the LoM of 25 years. The mine plan starts from September 2023 and incorporates the Phase 1 production.

The mine plan aims to produce 150,000 tpa of concentrate, and targets the nominal mill throughput capacity of 347 tph. This results in a maximum mill feed of 2.6 Mtpa considering an overall mill utilization of 85%.

During the 25 year LoM, the total ore mined from the open pit peaks at 2.64 Mt in Year 2040 and averages 2.47 Mtpa for Phase 2 (June 2026 – June 2048). The average diluted Cg grade ranges from 6.7% to 9.7% for the first 2.75 years (Phase 1), and averages 6.0% in the final 22.25 years. The mine plan is successful at achieving the targeted concentrate production.

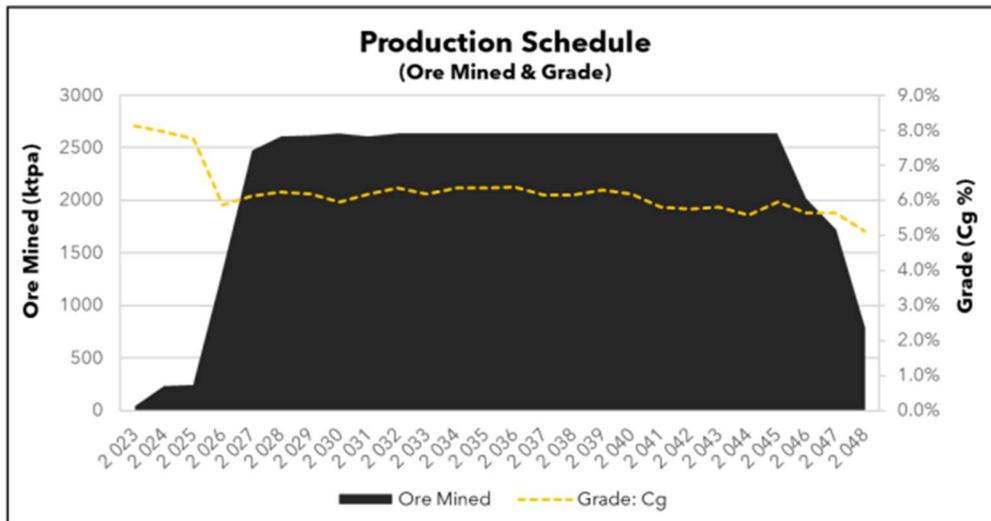
The production schedule graph provides a visual representation of the planned extraction of graphite ore over the LoM time frame, as tabulated in the “Mine Physicals” Table 3 below.

The annualised LoM waste and ore production profile is illustrated in Graph 1 below.



Graph 1: Production Schedule (Waste vs. Ore Mined)

The annualised LoM ore mined and grade profile is illustrated in Graph 2 below.



Graph 2: Production Schedule (Ore Mined & Grade)

A summary of mine physicals for the total LoM is shown in Table 3 below.

**Table 3: Mine Physicals**

Metric	Unit of Measurement	Result
Waste Mined (LoM Total)	Mt	19.2
Ore Mined (LoM Total)	Mt	56.3
Strip Ratio	ratio (t <sub>waste</sub> : t <sub>ore</sub> )	0.3
Average ROM Grade	% Cg	6.07%
Contained Graphite (LoM Total)	Mt	3.094
Life of Mine	years (active)	24.8
Life of Mine	years (at steady-state production)	21.7
Nameplate Ore Production	Mtpa	2.6
Average Annual Ore Production	Mtpa	2.2

Ore mined from the open pit is fed to the onsite concentrator plant(s), subject to minimum levels of emergency ore stockpiles maintained on surface. An emergency stockpile of 15,000t of ROM is maintained during Phase 1, which is increased to 25,000t of ROM for full production.

**Metallurgical Test Work**

The FS is based on a full suite of metallurgical test work performed by SGS Canada Metallurgical Services Inc. in Lakefield, Ontario, Canada for the 2014 FS and remains the same for this FS.

These tests included laboratory scale metallurgical work and a 200t bulk sample / pilot plant program. The laboratory scale work included comminution tests, process development and optimization tests, variability flotation, and concentrate upgrading tests.

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Comminution test results place the Molo ore into the very soft to soft category with low abrasivity. A simple reagent regime consists of fuel oil number 2 and methyl isobutyl carbinol at dosages of approximately 120 g/t and 195 g/t, respectively. A total of approximately 150 open circuit and locked cycle flotation tests were completed on almost 70 composites as part of the process development, optimization, and variability flotation program.

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

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

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

The average composition of the combined concentrate grade is presented in Table 4. The size fraction analysis results were converted into a grouping reflecting a typical pricing matrix, which is shown in Table 5.

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

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

**Table 4: Metallurgical Data - Flake Size Distribution and Product Grade**

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

**Table 5: Pricing Matrix - Flake Size Distribution Grouping and Product Grade**

<b>Product Size</b>	<b>% Distribution</b>	<b>Product Grade (%) Carbon</b>
>50 mesh	21.8	96.9
-50 to +80 mesh	27.3	97.0
-80 to +100 mesh	8.0	97.2
-100 mesh	42.9	97.6

**Recovery Methods**

The process design is based on an annual feed plant throughput capacity of 2,640,00 tpa at a nominal head grade of 6.07% C (t) producing a combined product output of 150,000 tpa at steady state.

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

The milling and flotation circuits are designed to operate 365 days per annum for 24 hours per day at 92% utilization. Two single stage primary ball milling circuits running in parallel are employed, incorporating a closed-circuit classifying screen and a scalping screen ahead of the mill.

The scalping screens undersize feeds into a flash flotation cells before combining with the mill discharge material. Scalping and classification screen oversize are the fed to the primary mills.

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

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

The fine flake cleaning circuit consists primarily of a dewatering screen, a polishing ball mill, a column flotation cell and flotation cleaner / cleaner scavenger trough cells.

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

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

Combined rougher and cleaner flotation final tailings are pumped to the combined tailings sump. The material from the combined tailings sumps is pumped to the final tailings thickener. Thickened final tailings then gets pumped to the filter press to produce a filter cake to be stockpiled. Thickened final concentrate is pumped to a filter press for further dewatering before the filter cake is stockpiled prior to load and haul.

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

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

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- -100 mesh.

The various product sizes are bagged and readied for shipping.

Chemical reagents are used throughout the froth flotation circuits and thickeners. Diesel fuel is used as collector and liquid Methyl Isobutyl Carbinol (“MIBC”) is used as frother within the flotation circuits.

Diesel collector is pumped from a diesel storage isotainer, from where it enters a manifold system which supplies multiple variable speed peristaltic pumps which discretely pump the collector at set rates to the various points-of-use within the flotation circuits.

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

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

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

### **Infrastructure**

Due to the remote location, the key infrastructure requirements for the project include tailings storage facility, power generation, water collection from well fields, explosive magazine and workforce accommodation, as well as all non-process buildings and infrastructure.

#### *Tailings Storage Facility*

Development of the TSF is to be a dry-stack facility with an upstream construction method. The waste material is to be transported to the TSF from the plant area by an overland conveyor system, then mechanically placed and compacted within the footprint of the TSF. The waste rock will form the outer containment wall region with the fines being spread and compacted behind this containment wall. The contact region between the coarse and fines will generally be a mix of material and is viewed as a transition zone between the coarse outer and the finer inner zone.

#### *Mine Infrastructure*

The mine infrastructure required to support the mining operation established during Phase 1 comprises of the explosive magazine, the access road to the explosive magazine, main haul roads (ex-pit) and the ROM tip ramp. Minor upgrades required for the expansion are:

- Two additional explosive magazine storage containers.
- New ROM tip ramp.

#### *Process Plant Infrastructure*

The process plant infrastructure required to support the operation established during Phase 1 comprises of offices, workshop, laboratory, change house and stores. Upgrades required for the expansion are:

- New offices for 90 people.
- Expanded laboratory and storage.
- New change house.
- Additional reagent and product storage.

#### *Shared Infrastructure and Services*

The shared infrastructure and services required to support the operation established during Phase 1 comprises of water including wellfield, power generation from solar and thermal sources, access roads, gate house, accommodation camp, storage yards, fuel storage and distribution and information and communication backbone. Upgrades required for the expansion are:

- Expanded wellfield water from 3 to 25 boreholes and associated reticulation.
- Expanded thermal and solar / BESS installation.
- Expanded accommodation camp adding 248 beds.
- Additional storage facilities.

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- Expanded fuel storage and re-fuelling station.
- Expanded information and communication backbone.

*Product Transport*

The Port of Tulear is viewed as the primary option on the basis of its proximity to Molo with an economical and logistical advantage. In previous studies completed prior to the commissioning of Molo Phase 1, the port at Fort Dauphin was expected as the primary port, however the existing road from Molo to Tulear Port was effectively used for transportation of product and goods during the commissioning and ramp up of production and proved to be viable for Phase 1 volumes of cargo movement.

A logistics company, currently managing Phase 1 of the Molo project, has been selected to manage the global logistics requirements of the expansion project. Additionally, port operational partnership and transportation partnership has been established for Phase 1 and these will be extended for the expansion project.

After completion of the expansion project the combined concentrate for exportation will be 150,000t. The all-road route from the mine to Tulear port has a bridge restriction of 18t across the river at Tongabory.

To eliminate the bridge restrictions at Tongabory the option to barge loaded trucks from Soalara to Tulear Port was identified for the expansion project. This increases the loading capacity of trucks from 18 to 28t and reduces the total trucking distance.

The barging operation is envisaged to be implemented for the expansion project or, even before during Phase 1 of the project, reducing total fleet requirements and daily convoys. This route, at 210 km to Soalara, is significantly shorter than any other route, thus yielding lower fuel costs and shorter on road transit times. From Soalara the trucks will be moved on the landing craft to Tulear Port, with a short hauling distance from landing dock to warehouse, or direct container loading and exportation.

During implementation of the expansion project the Port of Tulear and Port d'Ehoala at Fort Dauphin will be used, the latter for heavyweight equipment importation.

**Marketing**

Independent marketing studies have been sourced as reference material for the FS. These credible sources, (Benchmark Minerals Intelligence and Fastmarkets), have provided short and long term forecasts for an array of flake graphite products for various commercial size fractions and purities. The FS focuses on the four main productsizes, with a premium applied for higher Cg content.

A LoM average selling price of US\$1,191.00/t is the volume weighted average sales price for the various flake sizes and grades of graphite concentrate that are expected to be produced from the Molo deposit. This price used was based on current market prices provided by UKbased, commodity price reporting agencies Benchmark Minerals Intelligence and Fast Markets, who are recognized as leaders in providing independent and unbiased market research, pricing trends and demand and supply analysis for the natural flake graphite market.

**CAPEX and OPEX**

A Class 3 estimate was produced in support of the brownfield's expansion of the Molo mine, with a target accuracy of -15% to +25%. An area-level summary of the total Project CAPEX is provided in Table 6, equating to US\$161.7 million (Real). Capitalised OPEX of US\$25.2 million is excluded from Table 6 but, is capitalised for the purposes of the economic analysis.

Table 6: Project CAPEX (LoM Total)

Item	Total
	(US\$ '000, Real)
<b>Direct Capital Costs</b>	<b>95,659</b>
Open-Pit Mining	3,625
Processing Plant	58,359
On-Site Infrastructure	33,675
<b>Indirect Capital Costs</b>	<b>44,814</b>
Project Management	18,395
Owner's Cost	20,325
Other Capitalised Cost (excl. Capitalised OPEX)	6,094
<b>Provisions</b>	<b>21,227</b>
Contingency	21,227
<b>Total: Project CAPEX (excl. Capitalised OPEX)</b>	<b>161,700</b>

Total sustaining capital amounts to US\$205 million over the LoM and includes the staged development of the various TSF lifts (US\$171 million), as well as replacement of key equipment in the processing plant (US\$25.3 million) and the open-pit fleet (US\$9.2 million).

The LoM average all-in-sustaining cost (FOB, Tulear) is included in Table 7.

Table 7: Operating Costs (LoM Average)

Item	LoM Total	Unit Cost	Unit Cost
	(US\$M, Real)	(US\$ / t ore mined)	(US\$ / t concentrate)
Open-Pit Mining	190	3.38	61.41
Processing	454	8.06	146.66
On-Site Infrastructure	430	7.65	139.13
G&A (Site)	140	2.50	45.39
<b>Minesite Operating Cost (EXW)</b>	<b>1,215</b>	<b>21.58</b>	<b>392.59</b>
Royalties	301	5.34	97.14
Selling Cost	460	8.18	148.80
<b>Total Cash Cost (FOB)</b>	<b>1,976</b>	<b>35.10</b>	<b>638.53</b>
G&A (Corporate)	16	0.29	5.31
Reclamation & Closure Cost	13	0.23	4.13
Sustaining Capex	205	3.65	66.36
<b>All-in Sustaining Cost (FOB)</b>	<b>2,210</b>	<b>39.27</b>	<b>714.33</b>

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

### Economic Analysis

The economic analysis presented in this chapter contains forward-looking information with regards to the commodity prices, foreign exchange rates, proposed mine production plan, projected mass yield and recovery ratios, CAPEX and OPEX costs. The results of the economic analysis are subject to various known and unknown risks, uncertainties and other factors that cause actual results to differ materially from those presented here.

The economic analysis and investment evaluation was carried out using a discounted cash flow approach. Results based on the evaluation are presented on a post-tax and pre-tax basis.

A Techno-Economic Model (“TEM”) was developed using real, post-tax, unlevered, (ie. assumed to be financed 100% by equity), undiscounted free cash flows, discounted at a real discount rate to determine the NPV of the project. The economic analysis and accompanying free cash flow profile generated by the TEM have been presented in United States dollars.

Table 8 lists the basis of evaluation assumptions associated with the Project.

**Table 8: Basis of Evaluation Assumptions**

<b>Factor</b>	<b>Assumption</b>
Method of Analysis	Discounted Cash Flow Analysis
Cash Flow Terms	Real Terms
Base Currency	United States Dollar (US\$)
Base Date of Evaluation	1 September 2023
Discount Rate	8.0% (US\$ Real)

Headline results are presented in terms of a scenario that encompasses forward-looking macro-economic assumptions (Forecast Scenario). Results for two other scenarios are also presented that rank pari-passu with the headline scenario, that consider commodity prices and foreign exchange rate assumptions at three-year trailing prices and at spot prices respectively.

Table 9 summarises the commodity price assumptions and foreign exchange rate assumptions that are applicable to each of the scenarios used to generate economic results.

**Table 9: Macro-Economic Scenarios**

<b>Metric</b>	<b>Unit of Measurement</b>	<b>Expert Forecast</b>	<b>3 Year Trailing Average</b>	<b>Spot</b>
Weighted Average Superflake® Graphite Price	US\$/t of concentrate	1,191	1,124	1,011
Foreign Exchange Rate: MGA to US\$	MGA/US\$	4,224	4,312	4,225
Foreign Exchange Rate: ZAR to US\$	ZAR/US\$	17.67	16.01	16.00

Key economic results are shown in Table 10 below.

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**Table 10: Key Economic Results**

Metric	Unit of Measurement	Forecast	3 Year Trailing Average	Spot
NPV <sub>8%</sub> (Post-Tax)	US\$ million	370.0	299.8	182.7
IRR (Post-Tax)	%	29.0%	26.0%	19.7%
NPV <sub>8%</sub> (Pre-Tax)	US\$M	424.1	345.7	216.2
IRR (Pre-Tax)	%	31.1%	27.8%	21.2%
Undiscounted Payback Period	Years (from first Phase 2 concentrate production)	3.1	3.5	4.8
Undiscounted Payback Period	Years (from first Phase 2 Capex)	5.8	6.1	7.5
Peak Funding Requirement	US\$ million	178.5	177.9	183.5

The business case is value accretive across all three macro-economic scenarios.

The sensitivity analyses have been performed on a post-tax basis to assess the impact of variations in input parameters to the project’s key economic results. Figure 1 depicts the results of the deterministic sensitivity analysis, which assesses the sensitivity of the project’s NPV to changing input parameters.

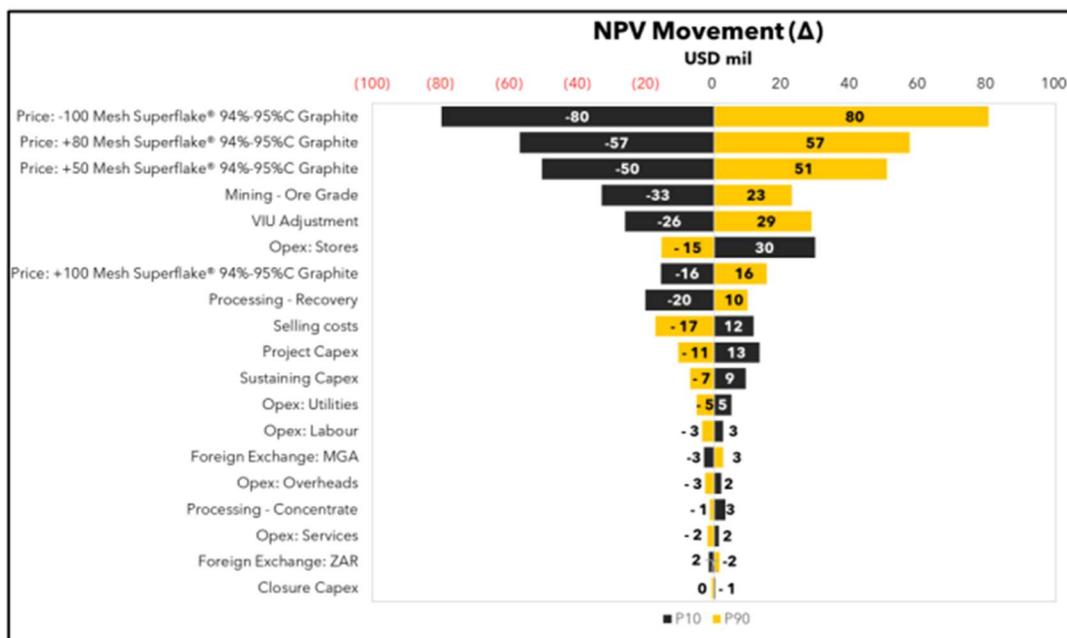


Figure 1: Tornado Chart - NPV Movement

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The Project NPV is the most sensitive to the following key drivers:

- Commodity Prices (specifically to -100 Mesh Superflake® graphite concentrate).
- Mining: Ore Grade.
- Operating Cost: Stores.
- Processing: Recovery.

An analysis of robustness has been performed on the forecast macro-economic scenario set of results. The analysis shows that the Molo Expansion Project is value accretive in all scenarios examined, which is indicative of a robust business case.

#### **Environmental and Permitting**

The Global Environmental and Social Impact Assessment (ESIA) for Molo Phase 1 was approved by the Office National Pour l'Environnement (ONE) in Madagascar, April 8th, 2019. The Molo Expansion will according to ONE requires an amendment to the Phase 1 ESIA. The original Global Environmental Authorization remains valid. However, an application for an amendment for the following current documents will be required:

- Specific Environmental Management Plans (SEMPs) for Energy Generation, Camp, Mining, Processing, Tailings, Roads and Pipelines and Dams, and the Conservation Site.
- Relocation Action Plan (RAP).
- Social Development Plans (SDP).

In addition, a completely updated ESIA is required in terms of the International Finance Corporation and Equator Principles, and its findings and recommendations will need to be integrated into the Cahier des Charges Environnement (CCE) which will then be adjusted accordingly.

As part of this ESIA update, a detailed assessment of surrounding aquifers and well field abstraction yields remains to be undertaken and its results integrated into an updated water management plan. As part of the TSF expansion design a dam breach assessment will be required in line with the Global Industry Standards on Tailings Management (GISTM) guidance and the findings incorporated into the Molo risk register and management plans.

Flowing from this, all on-site management plans covering the monitoring and management of direct and indirect environmental impacts will require updating. The timeline for this will be between 12 and 18 months and should, therefore, be initiated in a timely manner.

#### **Interpretation and Conclusions**

This Feasibility Study confirms that the expansion to 150,000 tpa is technically feasible as well as economically viable. There is no certainty that the economic forecasts on which this FS is based will be realized. There are a number of risks and uncertainties identifiable to any project and usually cover the mineralization, process, financial, environment and permitting aspects.

This FS includes an AACE Class 3 estimate with an accuracy level of -15% to +25% at an 80% confidence level, is based on the technical and economic aspects for the expansion project and concluded that, it is viable to expand the mining operation to produce 150,000 tonne of concentrate per year. The specialists engaged in compiling this study are all Qualified Persons according to the NI 43-101 criteria and capable of providing opinions in relation to their expertise.

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

The total Measured and Indicated Resource is estimated at 100.37 Mt, grading at 6.27% C. Additionally, an Inferred Resource of 40.91 Mt, grading at 5.78% C is stated.

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

Mineral reserves of 53.75 Mt have been declared in the Feasibility Study Report with an average head grade of 6.15% C.

The mine design, scheduling and costing for the expansion project was completed by independent specialists. During the development of Molo Phase 1 open pit mining was identified as the most appropriate and cost effective method of mining. The open pit mining method is currently employed at Molo and was proven adequate and extended for the expansion project due to the surficial, lateral expanse and the massive nature of the Molo deposit.

Comprehensive metallurgical test programs culminated in a process flowsheet that is capable of treating the Molo ore using conventional and established mineral processing techniques. Process risks associated with the variability of the ore have been mitigated in the process design to reduce graphite flake degradation, improve recovery and allows for processing flexibility to accommodate mine geology.

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The concentrator is designed to increase the total concentrate output of the Molo operations to its full capacity of 150 ktpa. Lessons learned from the Phase 1 concentrator, that is capable of producing 17 ktpa, has been incorporated into the conceptual design for the project expansion. The process plant design described in this report includes two identical streams for milling operations in order to reduce equipment sizing for importation. Therefore, to accommodate importation limitations modular concentrators may be reviewed during detail design to replace the single concentrator identified for this FS.

Infrastructure has been established at Molo to accommodate for Phase 1 operations and this proved to be sufficient for current operations. The Phase 1 scope included access roads, site roads, aircraft landing strip that are all adequate for the expansion with minor improvement on roads. Areas where infrastructure expansion is required are, power supply, water supply and storage, accommodation and associates services, offices, workshops and stores for operational requirement.

Tailings will be deposited on a newly established tailings disposal site that was identified for the expansion. Tailings will be dried and co-disposed with the waste rock generated from operations mining. Tailings will be conveyed from the processing facility to the TSF. It is envisaged that all waste rock will be crushed and conveyed with the fines waste to the TSF. In the next phase of the study a detailed design will be completed, complete with environmental and social impact assessment and closure.

All mining permits are in place for Phase 1 operations and included the Global Environmental and Social Impact Assessment (ESIA). The Molo Expansion will according to ONE requires an amendment to the Phase 1 ESIA. Additional specific Environmental Management Plans (SEMPs) for Energy Generation, Camp, Mining, Processing, Tailings, Roads and Pipelines and Dams, and the Conservation Site will be required.

For the expansion project a completely updated ESIA is required in terms of the International Finance Corporation and Equator Principles, and its findings and recommendations will need to be integrated into the Cahier des Charges Environmental (CCE) which will then be adjusted accordingly.

**Recommendations**

Whilst the results of this FS demonstrate that the expansion to 150 ktpa is financially sound there are implementation options which may further optimise the economic results. The following recommendations have been identified throughout the FS:

- Infill drilling to convert the Inferred Resource to Indicated.
- Process design optimisation to incorporate current knowledge base and industry best practice.
- Progress the TSF design and testwork to optimise the LoM design.

The expansion will require application for amendments as and when applicable to the stand-alone documentation from the original Phase 1 ESIA, SEMPs, RAP, SDP, Tree Clearance Permit, and Water Uses.

## SCHEDULE “B” – AUDIT COMMITTEE CHARTER

### A. Purpose: Responsibilities and Authority

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

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

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

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

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

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

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

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

**B. Limitation of Audit Committee's Role**

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

**C. Structure and Membership**

*a. Number and minimum qualifications*

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

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

*b. Independence Requirements*

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

*c. Financial Literacy*

**National Instrument 52-110**

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

Section 1.6 defines the meaning of financial literacy as follows:

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