



NextSource Materials Inc.

Audited Consolidated Financial Statements

For the years ended June 30, 2024, and 2023

Expressed in US Dollars



Independent auditor's report

To the Shareholders of NextSource Materials Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NextSource Materials Inc. and its subsidiaries (together, the Company) as at June 30, 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at June 30, 2024;
- the consolidated statement of operations and comprehensive (loss) income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 2 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

Assessment of impairment indicators of property, plant and equipment (PP&E) and prepayments and deposits (prepayments)

Refer to note 3 – Material accounting policy information, note 4 – Significant judgments, estimates and assumptions, note 7 – Prepayments and deposits and note 8 – Property, plant and equipment to the consolidated financial statements.

The net book value of PP&E and prepayments amounted to \$69.8 million and \$9.5 million, respectively, as at June 30, 2024. Management assesses at the end of each reporting period whether there is any indication that long-lived assets may be impaired.

Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in quantity of the recoverable resources and reserves; (iii) changes in commodity prices, capital and operating costs; and (iv) changes in interest rates, are evaluated by management in determining whether there are any indicators of impairment.

No indicators of impairment were identified as at June 30, 2024.

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Evaluated management's assessment of indicators of impairment, which included the following:
 - Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company's PP&E and prepayments, by considering evidence obtained in other areas of the audit.
 - Recalculated the Company's market capitalization and compared it to the carrying amount of the net assets of the Company as at June 30, 2024.
 - Assessed the reasonableness of the changes in expected future commodity prices by comparing them to market analysts' forecasts.
 - Assessed the changes in interest rates by considering external market data.
 - Assessed the reasonableness of the changes in quantity of the recoverable resources and reserves, and capital and operating costs based on evidence obtained in other areas of the audit.



Key audit matter

How our audit addressed the key audit matter

We considered this a key audit matter due to (i) the significance of the PP&E and prepayments balances; and (ii) the subjectivity in performing procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant management judgment.

Comparative information

The consolidated financial statements of the Company for the year ended June 30, 2023 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements on September 28, 2023.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kristine Doherty.

(Signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
October 3, 2024

NextSource Materials Inc.
Consolidated Statements of Financial Position
(Expressed in US Dollars)

	As at June 30, 2024	As at June 30, 2023
Assets		
Current Assets:		
Cash and cash equivalents	\$ 10,770,381	\$ 6,885,458
Amounts receivable (note 21)	427,977	494,250
Inventories (note 5)	1,002,793	470,336
Prepaid expenses (note 6)	1,333,944	172,384
Total Current Assets	13,535,095	8,022,428
Prepayments and deposits (note 7)	9,492,982	717,403
Property, plant, and equipment (note 8)	69,820,625	44,236,829
Total Assets	\$ 92,848,702	\$ 52,976,660
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities (notes 9, 21)	\$ 4,473,128	\$ 3,014,594
Current portion of lease obligations (note 10)	2,405,980	1,286,561
Current portion of royalty obligations (note 11)	2,846,250	2,846,250
Commercial production obligation (note 13)	707,850	754,973
Total Current Liabilities	10,433,208	7,902,378
Share-based compensation liability (note 18)	401,469	-
Withholding tax provision	247,195	-
Lease obligations (note 10)	18,797,929	10,209,370
Royalty obligations (note 11)	8,745,628	9,170,631
Asset retirement obligations (note 14)	1,920,269	492,346
Total Liabilities	40,545,698	27,774,725
Shareholders' Equity		
Share capital (note 16)	205,025,476	169,212,945
Accumulated deficit	(151,452,062)	(142,452,034)
Accumulated other comprehensive income	(1,270,410)	(1,558,976)
Total Shareholders' Equity	52,303,004	25,201,935
Total Liabilities and Shareholders' Equity	\$ 92,848,702	\$ 52,976,660

Nature of operations (note 1)

Basis of presentation and going concern (note 2)

Commitments (note 15)

The accompanying notes are an integral part of these audited consolidated financial statements.

NextSource Materials Inc.
Consolidated Statements of Operations and Comprehensive (Loss) Income
(Expressed in US Dollars, except share amounts)

	Year ended June 30, 2024	Year ended June 30, 2023
Expenses and other income		
Operating expenses	\$ -	\$ 355,703
Exploration and evaluation expenses (note 20)	75,941	43,385
General and administrative expenses (notes 19, 20)	6,766,917	3,482,527
Share-based compensation and RSU expense (notes 17, 18)	334,411	514,048
Depreciation of property, plant, equipment (note 8)	198,322	393,855
Lease finance costs (note 10)	267,944	442,505
Foreign currency translation (gain) loss	883,141	(29,558)
Royalties	239	-
Interest income	(1,156,840)	(123,869)
Gain on disposal of right of use asset	(178,339)	-
Change in value of royalty obligation (note 11)	8,443	(87,390)
Change in fair value of warrant derivative liability (note 12)	-	2,783,360
Change in value of commercial production obligation (note 13)	(46,362)	(49,255)
Impairment of VAT receivable (notes 20 and 23)	1,599,832	3,953,376
Total Expenses	8,753,649	11,678,687
Loss before income taxes	(8,753,649)	(11,678,687)
Current income tax expense	(246,379)	-
Net loss	(9,000,028)	(11,678,687)
Other comprehensive income		
Items that will be reclassified subsequently to net (loss) income		
Translation adjustment for foreign operations	288,566	(1,890,444)
Net loss and comprehensive loss	\$ (8,711,462)	\$ (13,569,131)
Weighted-average common shares (basic and diluted)	153,124,111	117,264,004
Net loss per common share (basic and diluted)	\$ (0.06)	\$ (0.10)

The accompanying notes are an integral part of these audited consolidated financial statements.

NextSource Materials Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in US Dollars, except share amounts)

	Common Shares Outstanding #	Share Capital \$	Accumulated Deficit \$	Accumulated Other Comprehensive Income \$	Total (Deficit) Equity \$
Balance as at June 30, 2022	101,872,614	127,377,519	(130,773,347)	331,468	(3,064,360)
Reclassification of warrant liability to equity on exercise of warrants	-	24,472,850	-	-	24,472,850
Shares issued on exercise of warrants	23,214,286	17,002,227	-	-	17,002,227
Shares issued on conversion of restricted share units	184,107	-	-	-	-
Restricted share units expensed over vesting period	-	360,349	-	-	360,349
Net loss	-	-	(11,678,687)	-	(11,678,687)
Cumulative translation adjustment	-	-	-	(1,890,444)	(1,890,444)
Balance as at June 30, 2023	125,271,007	169,212,945	(142,452,034)	(1,558,976)	25,201,935
Shares issued from prospectus offering	30,303,500	37,750,585	-	-	37,750,585
Cost of issue from prospectus offering	-	(1,546,992)	-	-	(1,546,992)
Shares issued for severance	209,000	216,000	-	-	216,000
Recognition of RSU liability (note 18)	-	(592,118)	-	-	(592,118)
Shares issued on conversion of restricted share units	39,500	-	-	-	-
Stock options granted under long-term incentive plan	-	21,486	-	-	21,486
Restricted share units expensed over vesting period	-	(36,430)	-	-	(36,430)
Net loss	-	-	(9,000,028)	-	(9,000,028)
Cumulative translation adjustment	-	-	-	288,566	288,566
Balance as at June 30, 2024	155,823,007	205,025,476	(151,452,062)	(1,270,410)	52,303,004

The accompanying notes are an integral part of these audited consolidated financial statements.

NextSource Materials Inc.
Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year ended June 30, 2024	Year ended June 30, 2023
Operating activities		
Loss before income taxes	\$ (8,753,649)	(11,678,687)
<i>Add (deduct) items not affecting cash:</i>		
Depreciation of property, plant and equipment (note 8)	198,322	393,855
Lease finance costs (note 10)	267,944	408,608
Gain on disposal of right of use (notes 8, 10)	(178,339)	-
Change in value of royalty obligations (note 11)	8,443	(87,390)
Change in fair value of warrant derivative liability (note 12)	-	2,783,360
Change in value of production royalty (note 13)	(46,362)	(49,255)
Impairment of VAT receivable (notes 20 and 23)	1,599,832	3,953,376
Cash settlement of RSUs (note 18)	(133,356)	(153,699)
Share-based compensation and RSU expense	334,411	514,048
	(6,702,754)	(3,915,784)
<i>Change in non-cash working capital balances:</i>		
Increase in amounts receivable and impairment of VAT receivable	(1,533,559)	(3,873,366)
Increase in inventory (note 5)	(532,457)	(75,592)
Increase in prepaid expenses (note 6)	(1,161,560)	(470,336)
Increase in accounts payable and accrued liabilities (note 9)	1,039,592	1,149,929
Decrease in provisions	-	(16,268)
Net cash used in operating activities	(8,890,738)	(7,201,417)
Investing activities		
Additions to prepayments and deposits (note 7)	(8,774,640)	(538,110)
Additions to property, plant, equipment, and development (note 8)	(12,156,813)	(13,512,124)
Net cash used in investing activities	(20,931,453)	(14,050,234)
Financing activities		
Proceeds from issuance of common shares (note 16)	37,750,585	-
Common shares issuance costs (note 16)	(1,546,992)	-
Proceeds from exercise of warrants	-	17,002,227
Lease obligation principal and interest payments (note 10)	(604,320)	(1,387,630)
Repayment of royalty financing (note 11)	(1,897,500)	-
Proceeds from royalty financing (note 11)	-	3,000,000
Net cash provided by financing activities	33,701,773	18,614,597
Effect of exchange rate changes on cash and cash equivalents	5,341	(270,741)
Net increase (decrease) in cash and cash equivalents	3,884,923	(2,907,795)
Cash and cash equivalents, beginning of period	6,885,458	9,793,253
Cash and cash equivalents, end of period	\$ 10,770,381	\$ 6,885,458

The accompanying notes are an integral part of these audited consolidated financial statements.

NextSource Materials Inc.**Notes to the Consolidated Financial Statements**

(All amounts expressed in US Dollars unless designated otherwise)

1. Nature of operations

NextSource Materials Inc. (the “Company” or “NextSource”) was continued under the Canada Business Corporations Act from the State of Minnesota to Canada on December 27, 2017, and has a fiscal year end of June 30. The Company’s registered head office and primary location of records is 130 King Street West, Exchange Tower, Suite 1943, Toronto, Ontario Canada, M5X 2A2. The Company’s common shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “NEXT” and the OTCQB under the symbol “NSRCF”.

NextSource is intent on becoming a vertically integrated global supplier of battery materials through the mining and value-added processing of graphite and other minerals. The Company’s principal business is the development and operation of the Molo Mine in Madagascar and has announced plans to build the first of several Battery Anode Facilities (“BAF”) in Mauritius.

The Company also owns the Green Giant Vanadium Project, located in Madagascar, and the Sagar Project, located in Quebec, both of which are at the exploration and evaluation stage.

The Company has not previously operated any mines or processing facilities, and no commercial revenues have been generated from any mineral resources. The Company does not pay dividends and is unlikely to do so in the immediate or near future.

These consolidated financial statements were approved by the Board of Directors of the Company on October 3, 2024.

2. Basis of presentation and going concern***Statement of compliance with IFRS***

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) (“IFRS Accounting Standards”).

Basis of measurement

The consolidated financial statements have been prepared using generally accepted accounting principles that are applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Assets and liabilities are presented under the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

Basis of consolidation

The consolidated financial statements include the financial position, results of operations and comprehensive (loss) income and cash flows of the Company and its wholly owned subsidiaries. Intercompany balances, transactions, income and expenses, profits, and losses, including gains and losses relating to subsidiaries have been eliminated on consolidation.

NextSource owns 100% of NextSource Materials (Mauritius) Ltd. (“MATMAU”), a Mauritius subsidiary, NextSource Materials (UK) Ltd., a UK subsidiary, and 2391938 Ontario Inc., an Ontario Company. MATMAU owns 100% of NextSource Minerals (Mauritius) Ltd. (“MINMAU”), a Mauritius subsidiary, NextSource Graphite (Mauritius) Ltd (“GRAMAU”), a Mauritius subsidiary, NextSource CSPG (Mauritius) Ltd (“CSPGMAU”), a Mauritius subsidiary, and NextSource Materials (Madagascar) SARLU (“MATMAD”), a Madagascar subsidiary. MINMAU owns 100% of NextSource Minerals (Madagascar) SARLU (“MINMAD”), a Madagascar subsidiary. GRAMAU owns 100% of ERG (Madagascar) SARLU (“ERGMAD”), a Madagascar subsidiary.

Going Concern Assumption

The Company's ability to continue operations and fund development is dependent on management's ability to secure additional financing. As of June 30, 2024, the Company had cash and cash equivalents of \$10,770,381 which is insufficient to fund its working capital requirements (including current liabilities of \$10,433,208) as well as ongoing general and administrative costs and anticipated capital and operating cash outflows. To date, the Company has had no revenue from operations and does not expect to generate substantial revenues from operations for the foreseeable future. Therefore, the Company will need to obtain financing in the form of equity, debt, or a combination thereof to continue with its planned strategic and operational activities. Management is actively pursuing additional funding, and while it has been successful at doing so in the past, there can be no assurance it will be able to do so in the future or on terms that are acceptable to the company. As such, the ability of the Company to raise additional funding in order to meet their obligations as they come due results in a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

The accompanying consolidated financial statements have been prepared based on a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. These consolidated financial statements do not give effect to adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the Company be unable to continue as a going concern and therefore need to realize its assets and liquidate

its liabilities and commitments in other than the normal course of business and at amounts different from those in the consolidated financial statements. These adjustments could be material.

3. Material accounting policy information

Foreign currencies

The presentation and functional currency of the Company is the US dollar (“USD”).

The Company has primarily expended its cash on international exploration projects in US dollars. The Company expects to sell graphite priced in US dollars once the Molo Graphite Mine achieves production. The Company office is in Canada and the Company expends a portion of its payroll, professional and general and administrative costs in Canadian dollars, which are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used. The functional currency of the Mauritius subsidiaries is the US dollar. The functional currency of the Madagascar subsidiaries is the Madagascar Ariary. Transfers of cash to the subsidiaries are typically completed using US dollars. All Ariary transactions are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used.

For the presentation of consolidated financial statements, subsidiary company assets and liabilities are expressed in US dollars using the prevailing exchange rates at the end of the reporting period. Any exchange differences that arise are recognized in other comprehensive (loss) income and cumulative translation adjustment in equity.

At the end of each reporting period, the Company translates foreign currency balances as follows:

- monetary items are translated at the closing rate in effect at the consolidated statements of financial position;
- non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction;
- non-monetary items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured; and
- revenue and expense items are translated using the average exchange rate during the period.

The intercompany loans made to the subsidiary companies are considered part of the parent company’s net investment in a foreign operation as the Company does not plan to settle these balances in the foreseeable future. As a result of this assessment, the unrealized foreign exchange gains and losses on the intercompany loans are recorded through other comprehensive income (loss). If the Company determined that settlement of these amounts was planned or in the foreseeable future, the resultant foreign exchange gains and losses would be recorded through the consolidated statements of operations and comprehensive (loss) income.

Cash and cash equivalents

The Company considers cash and cash equivalents to be cash and highly liquid investments with original maturities of three months or less.

Prepayments and deposits

The Company makes prepayments and deposits to suppliers of services and supplies. These are recognized as prepayments when made and recognized as expenses when the services and supplies are received. Prepayments and deposits on assets that are long term in nature are recorded as long-term prepayments and deposits.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all the risks and rewards are transferred. Financial liabilities are derecognized when the obligation under the liability is extinguished, discharged, cancelled, or expired. Gains and losses on derecognition of financial assets and financial liabilities are recognized within financing income and financing expense, respectively.

Management determines the classification of financial assets and financial liabilities at initial recognition and, except in very limited circumstances, the classification is not changed after initial recognition. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and/or management’s intent. Transaction costs with respect to instruments not classified as fair value through profit or loss are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

The Company’s financial instruments were classified in the following categories:

Financial assets measured at fair value through profit or loss (FVTPL):

An instrument is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. A financial asset is classified as fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so, designated by management. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

3. Material accounting policy information (continued)

Financial instruments included in this category are initially recognized at fair value and transaction costs are taken directly to earnings along with gains and losses arising from changes in fair value. All changes in their fair value are recorded through the consolidated statements of operations and comprehensive (loss) income.

Financial assets measured at amortized cost:

Financial assets measured at amortized cost are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost. Interest revenue on amounts receivable is recognized using the effective interest method.

The following financial assets are measured at amortized cost:

- Cash and cash equivalents
- Amounts receivable (excluding sales taxes)

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method except for financial liabilities designated as FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the consolidated statements of operations and comprehensive (loss) income are included within accretion of deferred obligation, finance costs or finance income.

The following financial liabilities are measured at amortized cost:

- Accounts payable and accrued liabilities
- Royalty obligations
- Commercial production obligation

Financial liabilities measured at fair value through profit or loss:

Financial liabilities designated as FVTPL are initially recognized at fair value and transaction costs are taken directly to the consolidated statements of operations and comprehensive (loss) income along with gains and losses arising from changes in fair value. Derivative instruments, including embedded derivatives, are recorded at fair value unless exempted from derivative treatment as normal purchase and sale. All changes in their fair value are recorded through the consolidated statements of operations and comprehensive (loss) income.

The following financial liabilities are measured at FVTPL:

- Warrant derivative financial liabilities.

Fair value measurement

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The binomial and Black Scholes valuation techniques are permitted under IFRS for fair value calculations.

Mine Development Expenditures

Mine development stage expenditures are costs incurred to obtain access to proven and probable mineral reserves or mineral resources and provide facilities for extracting, treating, gathering, transporting, and storing the minerals. The development stage of a mine commences when the technical feasibility and commercial viability of extracting the mineral resource has been determined.

Costs that are directly attributable to mine development are capitalized to the extent that they are necessary to bring the property to commercial production. Abnormal costs are expensed as incurred. Indirect costs are included only if they can be directly attributed to the area of interest. General and administrative costs are capitalized as part of the development expenditures when the costs are directly attributed to a specific mining development project.

3. Material accounting policy information (continued)

Commercial Production

A mine construction project is considered to have entered the production stage when the mine construction assets are available for use. In determining whether mine construction assets are considered available for use, the criteria considered include, but are not limited to, the following:

- completion of a reasonable period of testing mine plant and equipment;
- ability to produce minerals in saleable form (within specifications); and
- ability to sustain ongoing production of minerals.

When a mine construction project moves into the production stage, depreciation commences, the capitalization of certain mine construction and ramp-up costs cease, and expenditures are either capitalized to inventories or expensed as incurred. Exceptions include costs incurred to sustain or improve property, plant, equipment. The costs of stripping activity are limited to the production of ore and are capitalized to inventory produced.

Inventories

Inventories consist of ore stockpiles, consumable materials, and finished goods. Inventories are carried at the lower of cost and net realizable value ("NRV"). Cost is determined using the weighted average basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of inventories includes direct costs of materials and labour related directly to mining and processing activities, including:

- Production phase stripping costs
- Amortization of property, plant and mine development directly involved in the related mining and production process
- Amortization of any stripping costs previously capitalized and directly attributable overhead costs.

When interruptions to production occur, an adjustment is made to the costs included in inventories, such that they reflect normal capacity. Abnormal costs are expensed in the period they are incurred.

The current portion of ore stockpiles and inventories is determined based on the expected amounts to be processed within the next twelve months. Ore stockpiles and inventories not expected to be processed or used within the next twelve months are classified as long-term. NRV is estimated by calculating the net selling price less costs to be incurred in converting the relevant inventories to saleable product and delivering it to a customer. Costs to complete are based on management's best estimate as at the consolidated statement of financial position. An NRV impairment may be reversed in a subsequent period if the circumstances that triggered the impairment no longer exist.

Mining properties, plant, and equipment

Properties

The cost of mining properties includes the fair value attributable to proven and probable mineral reserves and mineral resources acquired in a business combination or asset acquisition, underground mine development costs, deferred stripping, capitalized exploration, and evaluation costs and capitalized borrowing costs.

Significant payments related to the acquisition of land and mineral rights are capitalized as mining properties at cost. If a mineable ore body is discovered, such costs are amortized to income when commercial production commences, using the units-of-production method, based on estimated proven and probable mineral reserves and the mineral resources included in the current life of mine plan. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined that the property has no future economic value.

Plant and Equipment

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. The cost of an item of plant and equipment includes: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and the estimate of the costs of dismantling and removing the item and restoring the site on which it is located other than costs that arise as a consequence of having used the item to produce inventories during the period.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations and comprehensive (loss) income when the asset is derecognized.

3. Material accounting policy information (continued)

Mining properties, plant, and equipment (continued)

Depletion or depreciation of an asset begins when the asset is in the location and condition necessary for it to operate in the manner intended by management. Depletion or depreciation ceases at the earlier of the date the asset is classified as held for sale or the date the asset is derecognized. Assets under construction are not depleted or depreciated until the earlier of the end of the construction period or once commercial production is achieved. Depletion or depreciation is charged according to either the units-of-production method or on a straight-line basis, according to the pattern in which the asset's future economic benefits are expected to be consumed. The depletion or depreciation method applied to an asset is reviewed at least annually.

Useful lives of plant and equipment are based on the lesser of the estimated mine lives as determined by proven and probable mineral reserves and the mineral resources included in the current life of mine plan and the estimated useful life of the asset. The following sets out the useful lives of certain assets:

- | | |
|-----------------------|----------------|
| • Plant | 20 to 30 years |
| • Equipment | 3 to 10 years |
| • Right of use assets | lease term |

Assets Under Construction

Cost components of a specific project that are included in the capital cost of the asset include salaries and wages directly attributable to the project, supplies and materials used in the project, and incremental overhead costs that can be directly attributable to the project.

Assets under construction are not depleted or depreciated until the earlier of the end of the construction period or once commercial production is achieved. Upon achieving the production stage, the capitalized construction costs are transferred to the appropriate category within property, plant, equipment, and development.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Company assesses whether:

- The contract involves the use of an explicitly or implicitly identified asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract term;
- The Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e.: the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company presents right-of-use assets in the property, plant, and equipment line item on the consolidated statements of financial position and lease liabilities in the lease obligations line item on the consolidated statements of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and leases of low value assets are recognized as an expense in the consolidated statements of operations and comprehensive (loss) income.

3. Material accounting policy information (continued)

Reclamation provisions

Asset retirement obligations (“AROs”) arise from the acquisition, development and construction of mining properties, plant, and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings closure and rehabilitation, demolition of buildings and mine facilities, ongoing water treatment and ongoing care and maintenance of closed mines. The Company recognizes an ARO at the time the environmental disturbance occurs, or a constructive obligation is determined to exist based on the Company’s best estimate of the timing and amount of expected cash flows expected to be incurred. When the ARO provision is recognized, the corresponding cost is capitalized to the related item of property, plant, and equipment. Reclamation provisions that result from disturbance in the land to extract ore in the current period are included in the cost of inventories.

The timing of the actual environmental remediation expenditures is dependent on several factors such as the life and nature of the asset, the operating license conditions and the environment in which the mine operates. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a US-dollar risk-free interest rate. AROs are adjusted each period to reflect the passage of time (accretion). Accretion expense is recorded in finance costs for each period. Upon settlement of an ARO, the Company records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains or losses are recorded in the consolidated statements of operations and comprehensive (loss) income.

Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are the construction of new processing facilities, changes in the quantities of material in mineral reserves and mineral resources and a corresponding change in the life of mine plan, changing ore characteristics that impact required environmental protection measures and related costs, changes in water quality that impact the extent of water treatment required and changes in laws and regulations governing the protection of the environment.

Each reporting period, provisions for AROs are remeasured to reflect any changes to significant assumptions, including the amount and timing of expected cash flows and risk-free interest rates. Changes to the reclamation provision resulting from changes in estimate are added to or deducted from the cost of the related asset, except where the reduction of the reclamation provision exceeds the carrying value of the related assets in which case the asset is reduced to nil and the remaining adjustment is recognized in the consolidated statements of operations and comprehensive (loss) income.

Environmental remediation liabilities (“ERLs”) are differentiated from AROs in that ERLs do not arise from environmental contamination in the normal operation of a long-lived asset or from a legal or constructive obligation to treat environmental contamination resulting from the acquisition, construction, or development of a long-lived asset. The Company is required to recognize a liability for obligations associated with ERLs arising from past acts. ERLs are measured by discounting the expected related cash flows using a risk-free interest rate. The Company prepares estimates of the timing and amount of expected cash flows when an ERL is incurred. Each reporting period, the Company assesses cost estimates and other assumptions used in the valuation of ERLs to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the value of the ERLs. Any change in the value of ERLs results in a corresponding charge or credit to the consolidated statements of operations and comprehensive (loss) income. Upon settlement of an ERL, the Company records a gain or loss if the actual cost differs from the carrying amount of the ERLs in the consolidated statements of operations and comprehensive (loss) income.

The Company’s operations are subject to environmental regulations in Madagascar. As at the date of these consolidated financial statements, the Company had asset retirement obligations (AROs) but did not have any environmental rehabilitation obligations (ERLs).

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financing expense.

3. Material accounting policy information (continued)

Impairment of long-lived assets

A cash generating unit (“CGU”) is defined as the smallest identifiable group of assets that can generate cash inflows that are independent from other identifiable groups of assets. If an active market exists for the output produced by an asset or group of assets, that asset or group of assets shall be identified as a CGU, even if some or all of the output is used internally. At the end of each reporting period the Company assesses whether there is any indication that long-lived assets other than goodwill may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the CGU level for the purpose of assessing the recoverable amount. An impairment loss is recognized for any excess of the carrying amount of the CGU over its recoverable amount. If the CGU includes goodwill, the impairment loss related to a CGU is first allocated to goodwill and the remaining loss is allocated on a pro-rata basis to the remaining long-lived assets of the CGU based on their carrying amounts. Impairment losses are recorded in the consolidated statements of operations and comprehensive (loss) income in the period in which they occur.

Any impairment charge that is taken on a long-lived asset other than goodwill is reversed if there are subsequent changes in the estimates or significant assumptions that were used to recognize the impairment loss that result in an increase in the recoverable amount of the CGU. If an indicator of impairment reversal has been identified, the recoverable amount of the asset is calculated in order to determine if any impairment reversal is required. The recoverable amount is considered to be the higher of the fair value less costs to sell and value in use. A recovery is recognized to the extent the recoverable amount of the asset exceeds its carrying amount. The amount of the reversal is limited to the difference between the current carrying amount and the amount which would have been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued. The impairment reversal is allocated on a pro-rata basis to the existing long-lived assets of the CGU based on their carrying amounts. Impairment reversals are recorded in the consolidated statements of operations and comprehensive (loss) income in the period in which they occur.

Share-based compensation

The Company offers equity-settled awards such as stock options and cash-settled awards such as restricted share units to certain employees, officers and directors of the Company through its Long-Term Incentive Plan (“LTIP”).

Stock options

The Company’s LTIP provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to the market price on the day prior to the date of grant. The fair value of these options is recognized in the consolidated statements of operations and comprehensive (loss) income or in the consolidated statements of financial position if capitalized as part of property, plant, equipment, and development over the applicable vesting period as a compensation cost. Any consideration paid by employees on exercise of options or purchase of common shares is credited to share capital.

The fair value of share-based compensation is determined at the date of grant using the Black-Scholes option valuation model. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where this fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted, as at the date the Company obtains the goods or the counterparty renders the service. The fair value of the share-based compensation is only re-measured if there is a modification to the terms of the instrument, such as a change in exercise price or legal life. The fair value of the share-based compensation is recognized as an expense over the expected vesting period with a corresponding entry to shareholders’ equity.

Restricted share units (RSUs)

The Company’s LTIP provides for the granting of restricted share units (“RSU”) to directors, officers, employees and service providers in lieu of cash compensation or to purchase common shares. RSUs are subject to vesting requirements based on specific performance measurements by the Company. The cost of the RSUs is either measured initially at fair value on the grant date based on the Market Price of the Company’s common shares preceding the effective grant date when settled in cash; or for RSUs settled in common shares the fair value for the portion of the RSUs related to market conditions is based on the application of pricing models at the grant date and the fair value for the portion related to non-market conditions is based on the market value of the shares at the grant date. Compensation expense related to RSUs settled in common shares, is based on the current best estimate of the outcome for the specific performance measurement established by the Company and is recognized over the vesting period based on the number of units estimated to vest. The cost of the RSUs is recorded within equity until settled. Equity-settled awards are not remeasured subsequent to the initial grant date. The cost of RSUs settled in cash is recognized as a liability, in the consolidated statement of financial position and as an expense in the consolidated statement of operations and comprehensive (loss) income over the vesting period. The liability is remeasured to fair value based on the Market Price of the Company’s common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statement of operations and comprehensive (loss) income.

3. Material accounting policy information (continued)

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in the consolidated statements of operations and comprehensive (loss) income loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in statements of operations and comprehensive (loss) income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the assets to be recovered.

Net income (loss) per share

Basic net income (loss) per share is calculated by dividing net (loss) income for a given period by the weighted average number of common shares outstanding during that same period. Diluted net (loss) income per share reflects the potential dilution that could occur if holders with rights to convert instruments to common shares exercise these rights. The weighted average number of common shares used to determine diluted net income (loss) per share includes an adjustment, using the treasury stock method, for outstanding stock options and warrants.

Under the treasury stock method:

- the exercise of stock options and warrants is assumed to occur at the beginning of the period (or date of issuance, if later);
- the proceeds from the exercise of stock options and warrants plus the future period compensation expense on stock options and warrants granted are assumed to be used to purchase common shares at the average market price during the period; and
- the incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted net income (loss) per share calculation.

Recently Issued Accounting Pronouncements

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for accounting years beginning on or after July 1, 2024. Other than as noted below, they are not applicable or do not have a significant impact on the Company.

IFRS 18 “Presentation and Disclosure in Financial Statements”

In April 2024, IFRS 18 “Presentation and Disclosure in Financial Statements” was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1 “Presentation of Financial Statements”, impacts the presentation of primary financial statements and notes, including the statement of operations where companies will be required to present separate categories of income and expense for operating, investing and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027 and requires retrospective application.

4. Significant judgments, estimates and assumptions

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

Functional currency

The Company reconsiders the functional currency of its operations if there is a change in events and conditions which determine the primary economic environment. This is a significant judgment considering the significance of the costs to the Company’s activities, and the primary economic environments in which the Company and its subsidiaries operate.

Assessment of impairment indicators of long-lived assets

The Company applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company’s share price; (ii) changes in quantity of the recoverable resources and reserves; (iii) changes in commodity prices, capital and operating costs; and (iv) changes in interest rates, are evaluated in determining whether there are any indicators of impairment. No impairment indicators were identified as at June 30, 2024.

4. Significant judgments, estimates and assumptions (continued)

Asset retirement obligations

The Company accounts for asset retirement obligations using a discounted cash flow forecast prepared by management supported by an independent third party using observable market data that includes significant assumptions regarding the estimated future closure costs for the Molo Graphite Mine site.

Development Stage Expenditures

The application of the Company's accounting policy for development stage expenditures requires judgment to determine when the technical feasibility and commercial viability of extracting a mineral resource has been determined. Some of the factors that the Company may consider in its assessment of technical feasibility and commercial viability are set out below:

- The level of geological certainty of the mineral deposit;
- Life of mine plans or economic models to support the economic extraction of reserves and mineral resources;
- A preliminary economic assessment, prefeasibility study or feasibility study that demonstrates the reserves and mineral resources will generate a positive commercial outcome;
- Reasonable expectations that operating permits will be obtained; and
- Approval by the Board of Directors of development of the project.

Royalty obligation

The Company accounts for a royalty obligation using a discounted cash flow forecast prepared by management that is based on estimated future revenues from the Molo Graphite Mine. Graphite price is considered a significant assumption and changes to this assumption could have a significant impact on the measurement of the royalty obligation. . The value of the royalty obligation is disclosed in Note 11 – *Royalty Obligation*.

5. Inventories

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

6. Prepaid Expenses

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

7. Prepayments and deposits

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

8. Property, plant, and equipment

	Property	Plant	Equipment	Right of Use Assets	Assets Under Construction	Total
	\$	\$	\$	\$	\$	\$
As at June 30, 2022	1,107,350	-	215,172	536,649	16,793,223	18,652,394
Additions	632,524	1,603,458	2,031,526	12,125,135	9,125,726	25,518,369
Capitalized development costs	30,122	-	-	-	2,047,633	2,077,755
Transfers	361,852	7,008,136	617,037	-	(7,987,025)	-
Depreciation	-	(45,400)	(155,133)	(179,753)	-	(380,286)
Impact of foreign exchange	(35,089)	(404,201)	(148,795)	(62,822)	(980,496)	(1,631,403)
As at June 30, 2023	2,096,759	8,161,993	2,559,807	12,419,209	18,999,061	44,236,829
Additions	1,466,305	81,262	453,535	21,192,030	5,081,809	28,274,941
Capitalized development costs	-	-	-	-	9,581,458	9,581,458
Depreciation	(8,120)	(418,808)	(430,932)	(193,080)	852,618	(198,322)
Cancellation and derecognition of leases	-	-	-	(12,332,100)	-	(12,332,100)
Impact of foreign exchange	12,708	62,348	24,938	5,659	152,166	257,819
As at June 30, 2024	3,567,652	7,886,795	2,607,348	21,091,718	34,667,112	69,820,625
Cost	2,096,759	8,207,393	2,744,548	12,617,040	18,999,061	44,664,801
Accumulated depreciation	-	(45,400)	(184,741)	(197,831)	-	(427,972)
As at June 30, 2023	2,096,759	8,161,993	2,559,807	12,419,209	18,999,061	44,236,829
Cost	3,575,800	8,352,405	3,226,186	21,193,292	34,667,112	71,014,795
Accumulated depreciation	(8,148)	(465,610)	(618,838)	(101,574)	-	(1,194,170)
As at June 30, 2024	3,567,652	7,886,795	2,607,348	21,091,718	34,667,112	69,820,625

As of June 30, 2024, the Company had not capitalized any exploration and evaluation costs related to its exploration and evaluation projects. Additions include the recognition of right-of-use assets of \$21,192,030, accretion related to the royalty obligation of \$1,464,054 and accretion related to lease obligations of \$1,086,224.

Molo Graphite Mine Development

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

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

The Molo Mine is subject to the following royalties:

- 3% of the gross sales revenue royalty is owned by Vision Blue Resources Limited (Vision Blue) (see also *Note 11 Royalty Obligation*).
- 1.5% net smelter royalty (“NSR”) owned by Capricorn Metals (formerly known as Malagasy Minerals) (“Capricorn”). Prior to becoming a Director of the Company, Brett Whalen purchased an option to acquire the 1.5% NSR from Capricorn upon the mine achieving commercial production.
- 2% gross revenue royalty payable to the Government of Madagascar.

8. Property, plant, and equipment (continued)

Mauritius BAF Development Project

The Company has exclusive access to a proprietary 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 Company also has an agreement with a graphite trader for the international sale of the products. The sales partner will receive a 3% sales commission for leveraging its international relationships and acting as a sales, marketing, and trading agent of our BAF products.

On February 28, 2023, the Company signed an industrial lease for the Mauritius BAF at an industrial zoned site in Mauritius and recognized a right-of-use asset and lease obligation. On September 28, 2023, the Company announced the termination of the lease and derecognized the right-of-use asset. On November 24, 2023, the Company signed a new industrial lease for the Mauritius BAF at a site in the port of Port Louis and recognized a right-of-use asset and lease obligation (see *Note 10 Right-of-Use assets and lease obligations*).

Exploration and Evaluation Expenditures

The Company owns the Green Giant Vanadium Project, located in Madagascar, and the Sagar Project, located in Quebec, which are at the exploration and evaluation stage. Since early 2012, the Company has focused its efforts on the Molo Project and as such only a limited amount of work has been completed on these properties. Exploration and evaluation expenditures are expensed as incurred.

9. Accounts payable and accrued liabilities

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

10. Right-of-Use assets and lease obligations

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

- On July 1, 2019, the Company recognized a ROU asset and lease obligation of \$24,164 using an incremental borrowing rate of 10.43% for the exploration camp located in Fotadrevo, Madagascar. The exploration camp lease expired on June 30, 2023.
- On February 28, 2023, the Company signed a lease for the Mauritius BAF and recognized a ROU asset and lease obligation of \$12,125,135 calculated using an incremental borrowing rate of 11.5% based on an initial term of 20 years plus a renewal of 5 years. The lease payments are payable annually in advance. The lease was terminated on September 28, 2023, in accordance with provisions in the lease agreement. The lease obligation was remeasured resulting in a gain of \$178,339 and the right of use asset and obligation were derecognized.
- On November 24, 2023, the Company signed a new lease for the Mauritius BAF at an industrial site in the port of Port Louis and recognized a ROU asset and a lease obligation of \$13,319,736 and capitalized legal costs of \$20,000. The lease obligation was calculated using an incremental borrowing rate of 11.5% based on an initial term of 20 years plus a renewal of 5 years. The lease payments are payable annually in advance. In the event the Company cannot obtain an EIA, the Company may terminate the lease prior to December 1, 2024 without incurring any additional cost.
- On November 6, 2023, the Company signed a new lease for an office in Antananarivo (Tana) and recognized a ROU asset and lease obligation of \$365,119. The lease obligation was calculated using an incremental borrowing rate of 11.5% based on an initial term of 3 years. The lease payments are payable monthly.
- For the year ended June 30, 2024 the company recognized a lease obligation of \$7,871,192 and a right of use asset for the energy services agreement (“ESA”) with CrossBoundary Energy Madagascar (“CBE”). This contract is for the hybrid solar thermal power plant owned and operated by CBE that is supplying electricity to the Molo Mine. The lease obligation was calculated using an incremental borrowing rate of 13.8% based on an initial term of 20 years plus a renewal of 5 years. The ESA requires the Company to purchase a minimum energy output of 11,200,000 kWh per annum at a base tariff of \$0.0837 per kWh which is equivalent to \$937,440 per annum. Over the initial term, the base tariff is subject to an annual escalation factor of 2.5% on June 1st of every year. If the energy use exceeds this minimum annual kWh, the Company will pay the same tariff per kWh for the excess, which is considered a variable lease payment. There were no variable lease payments made in the year. Total cash outflows made in the year for this lease was \$474,877. During the year, \$28,202 of depreciation and \$1,086,224 of interest expense was capitalized in relation to this lease.

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

10. Right-of-Use assets and lease obligations (continued)

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

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

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

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

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

Short term leases of less than 12 months, and leases with variable payments proportional to the rate of use of the underlying assets do not give rise to lease obligations. During the year ended June 30, 2024, the Company recognized short-term expenses of \$47,582 (2023: \$11,786) in the consolidated statements of operations and comprehensive (loss) income.

11. Royalty obligation

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

- The Company received the initial royalty funding of \$8.0 million (less a \$1.5 million royalty financing fee) on June 28, 2021, and received the remaining \$3.0 million on August 17, 2022.
- Beginning on the biannual period ending June 30, 2022, the Company must pay the greater of: (i) \$825,000 (the "Minimum Repayment") or (ii) 3% of the gross sales revenues from graphite concentrate sales (the "GSR"). Once Vision Blue has received cumulative royalty payments of \$16.5 million, the Minimum Repayment will cease, and the royalty will only be based on the GSR. NextSource has the option at any time to reduce the GSR to 2.25% by paying \$20 million to Vision Blue. Each of the biannual Minimum Repayments can be deferred by 12 months, subject to accrued interest of 15% per annum. The royalty payments are subject to 15% withholding tax.
- Vision Blue received a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide ("V2O5") from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅. The royalty payments are subject to 15% withholding tax.

11. Royalty obligation (continued)

On June 30, 2021, the Company recognized a royalty obligation at the fair value of \$6.5 million, which was equal to the present value using an effective discount rate of 13.8% of (1) the deferred \$3.0 million royalty funding, (2) the minimum royalty payments, (3) the accrued interest on the deferral of minimum royalty payments, and (4) the perpetual 3% GSR for the remaining 30-year life of mine for Phase 1. The discount rate was determined at recognition by calculating the internal rate of return (IRR) of the expected cash flows. Upon recognition, a total of \$169,279 of capitalized legal fees was netted against the obligation resulting in an initial carrying value of \$6,330,721. The carrying value of the royalty obligation will be remeasured at each reporting period based on the revised expected future cash flows using the original discount rate under the amortized cost method.

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

	Total
	\$
As at June 30, 2022	7,731,196
Accretion of royalty obligation	1,373,075
Royalty proceeds	3,000,000
Royalty minimum repayments	-
Remeasurement of royalty obligation	(87,390)
As at June 30, 2023	12,016,881
Accretion of royalty obligation	1,464,054
Royalty minimum repayments	(1,897,500)
Remeasurement of royalty obligation	8,443
As at June 30, 2024	11,591,878

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

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

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

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

12. Warrant Derivative Liability

Warrants issued in a currency other than the Company's functional currency are considered a derivative financial liability settled through the consolidated statement of operations and comprehensive loss as per IFRS 9 *Financial Instruments*. The fair value of warrants is initially measured on their issue date as a financial liability using the Black-Scholes option valuation model. The fair value of exercised warrants is remeasured on their exercise date and the fair value is reallocated to equity.

	Warrant Liability
	\$
As at June 30, 2022	21,689,490
Reclassification to equity on exercise of warrants	(24,472,850)
Change in fair value through profit and loss	2,783,360
As at June 30, 2023 and 2024	-

13. Commercial production obligation

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

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

14. Asset retirement obligations

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

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

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

15. Commitments

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

The Company is subject to contractual commitments related to royalties as described in notes 11 and 13.

16. Share capital

As of June 30, 2024, the Company had 155,823,007 common shares issued and outstanding (June 30, 2023: 125,271,007). The Company’s common shares have no par value, and the authorized share capital is composed of an unlimited number of common shares.

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

- (a) On August 1, 2023, the Company completed a prospectus equity funding of \$37,750,585 (CAD\$50,000,775) through the issuance of 30,303,500 common shares at a price of CAD\$1.65 per share resulting in net proceeds of \$36,203,593.
- (b) On November 28, 2023, a total of 209,000 common shares were issued to an officer as part of their severance with a fair value of \$216,000.
- (c) On June 28, 2024, a total of 39,500 common shares were issued as part of the conversion of RSUs.

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

- (a) On October 31, 2022, a total of 23,214,286 warrants priced at CAD\$1.00 were exercised into 23,214,286 common shares for gross proceeds of \$17,002,227.
- (b) On June 30, 2023, a total of 184,107 RSUs were converted into 184,107 common shares.

17. Stock options

The Company determined the fair value of stock options using the Black-Scholes option valuation model, which has several inputs including the market price, the exercise price, compound risk free interest rate, annualized volatility, and the number of periods until expiration. The fair value is recorded in equity and expensed through profit and loss over the vesting period. Each stock option entitles the holder to purchase one common share of the Company at the respective exercise price prior to, or on, its expiration date.

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

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

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

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

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

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

18. Restricted share units (RSUs)

During the current year the Company accounted for the RSUs as cash-settled as the holder has the option to take the RSU amounts in cash or equity, subject to agreement by the Company, and based on actions taken in the year by the Company, a past practice of settling in cash has been established. An RSU obligation of \$592,118 was recorded to accrued liabilities and share-based compensation liability.

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

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

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

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

18. Restricted share units (RSUs) (continued)

Grant Date	Vesting Date	Expiration Date	Vesting Condition	As at			Settled in Cash	Settled in Shares	As at June 30, 2024
				June 30, 2023	Awarded	Cancelled			
<i>Vested RSUs</i>									
July 28, 2022	June 30, 2023	June 30, 2024	E	160,000	-	(25,000)	(95,500)	(39,500)	-
June 19, 2024	June 30, 2024	December 31, 2027	E	-	110,000	-	-	-	110,000
<i>Unvested RSUs</i>									
May 28, 2024	September 30, 2024	September 30, 2026	E	-	25,000	-	-	-	25,000
May 28, 2024	December 31, 2024	December 31, 2026	E	-	25,000	-	-	-	25,000
May 28, 2024	March 31, 2025	March 31, 2027	E	-	25,000	-	-	-	25,000
May 28, 2024	June 30, 2025	June 30, 2027	E	-	25,000	-	-	-	25,000
May 28, 2024	September 30, 2025	September 30, 2027	E	-	25,000	-	-	-	25,000
May 28, 2024	December 31, 2025	December 31, 2027	E	-	25,000	-	-	-	25,000
May 28, 2024	February 1, 2025	February 1, 2028	E, V	-	41,667	-	-	-	41,667
May 28, 2024	March 31, 2026	March 31, 2028	E	-	25,000	-	-	-	25,000
May 28, 2024	May 1, 2025	May 1, 2028	E, V	-	41,667	-	-	-	41,667
May 28, 2024	June 30, 2026	June 30, 2028	E	-	25,000	-	-	-	25,000
May 28, 2024	August 1, 2025	August 1, 2028	E, V	-	41,667	-	-	-	41,667
May 28, 2024	September 30, 2026	September 30, 2028	E	-	25,000	-	-	-	25,000
May 28, 2024	November 1, 2025	November 1, 2028	E, V	-	41,667	-	-	-	41,667
May 28, 2024	December 31, 2026	December 31, 2028	E	-	25,000	-	-	-	25,000
May 28, 2024	February 1, 2026	February 1, 2029	E, V	-	41,667	-	-	-	41,667
May 28, 2024	March 31, 2027	March 31, 2029	E	-	25,000	-	-	-	25,000
May 28, 2024	May 1, 2026	May 1, 2029	E, V	-	41,667	-	-	-	41,667
May 28, 2024	June 30, 2027	June 30, 2029	E	-	25,000	-	-	-	25,000
May 28, 2024	August 1, 2026	August 1, 2029	E, V	-	41,667	-	-	-	41,667
May 28, 2024	November 1, 2026	November 1, 2029	E, V	-	41,667	-	-	-	41,667
May 28, 2024	February 1, 2027	February 1, 2030	E, V	-	41,667	-	-	-	41,667
May 28, 2024	May 1, 2027	May 1, 2030	E, V	-	41,667	-	-	-	41,667
May 28, 2024	August 1, 2027	August 1, 2030	E, V	-	41,667	-	-	-	41,667
May 28, 2024	November 1, 2027	November 1, 2030	E, V	-	41,663	-	-	-	41,663
Totals				160,000	910,000	(25,000)	(95,500)	(39,500)	910,000

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

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

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

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

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

19. General and administrative expenses

	Year ended June 30, 2024	Year ended June 30, 2023
	\$	\$
Payroll and salaries	2,430,368	1,123,098
Consultants	756,270	446,553
Professional and legal	1,514,576	654,227
Public company expenses	394,349	341,556
Travel	573,564	212,464
Insurance	66,297	61,814
Sales and marketing	132,952	100,134
General admin	898,541	542,681
Total	6,766,917	3,482,527

20. Segment reporting

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

The Company's reportable segments are presented as follows:

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

20. Segment reporting (continued)

The information by geographic region is as follows:

	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	9,754,055	325,052	691,274	10,770,381
Amounts receivable	206,166	221,807	4	427,977
Inventories	-	-	1,002,793	1,002,793
Prepaid expenses	360,289	1,439	972,215	1,333,944
Prepayments and deposits	-	9,308,079	184,903	9,492,982
Property, plant, and equipment	1,408,471	15,445,111	52,967,043	69,820,625
Total assets as at June 30, 2024	11,728,982	25,301,488	55,818,232	92,848,702

	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	6,309,738	139,408	436,312	6,885,458
Amounts receivable	270,998	223,252	-	494,250
Inventories	-	-	470,336	470,336
Prepaid expenses	146,391	-	25,993	172,384
Prepayments and deposits	-	669,318	48,085	717,403
Property, plant, and equipment	987,725	12,192,294	31,056,810	44,236,829
Total assets as at June 30, 2023	7,714,852	13,224,272	32,037,536	52,976,660

Assets in Mauritius relate to the Mauritius BAF. Assets in Madagascar relate to the Molo Mine.

21. Related party transactions

Parties are related if one party has the direct or indirect ability to control or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control or common significant influence. Related parties include the Company subsidiaries, significant shareholders, and key management. Significant shareholders consist of Vision Blue, which owns 46.6% of the common shares. Key management consists of the Board of Directors, Chief Executive Officer, Chief Financial Officer, and Senior Vice Presidents. Related parties also include companies controlled by key management. Related party transactions occur when there is a transfer of economic resources or financial obligations between related parties. Related party transactions in the normal course of business that have commercial substance are initially measured at fair value. Balances and transactions between the Company and its wholly owned subsidiaries have been eliminated and are not disclosed in this note.

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

Related party transactions contained within	Year ended June 30, 2024	Year ended June 30, 2023
Payroll and benefits	\$ 1,484,581	\$ 868,016
Management consulting fees	658,927	363,621
Professional fees	10,251	18,774
Share-based compensation	334,411	514,048
Total	\$ 2,488,170	\$ 1,764,459

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

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

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

Amounts receivable is for short-term loans to assist with the exercise of stock options. Accounts payable and accrued liabilities is for normal course accounts payable, accrued bonuses, and accrued director fees. The royalty obligations are owed to Vision Blue.

22. Capital management

There were no changes in the Company's approach to capital management during the year ended June 30, 2024.

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

Capital Resource Analysis

As of June 30, 2024, the Company had cash and cash equivalents of \$10,770,381 which is insufficient to fund its working capital requirements (including current liabilities of \$10,433,208) as well as ongoing general and administrative costs and anticipated capital and operating cash outflows. Refer to note 2 basis of presentation and going concern.

23. Financial Instruments and Risk Management

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

Liquidity risk

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

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

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

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

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

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

23. Financial Instruments and Risk Management (continued)

Credit risk

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

Interest rate risk

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

Commodity price risks

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

Currency risk

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

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

		As at June 30, 2024	As at June 30, 2023
Cash and cash equivalents	CAD	\$ 3,599,424	\$ 2,119,393
Cash and cash equivalents	MGA	233,071	104,293
Cash and cash equivalents	MUR	204,126	38,448
Amounts receivable	CAD	167,886	246,616
Amounts receivable	MGA	100	-
Prepaid expenses	CAD	42,327	46,667
Prepaid expenses	ZAR	26,971	8,170
Prepaid expenses	MGA	1,023,304	4,184
Accounts payable and accrued liabilities	CAD	(570,544)	(306,903)
Accounts payable and accrued liabilities	MGA	(1,807,746)	(1,875,766)
Accounts payable and accrued liabilities	MUR	42,163	(92,542)
Accounts payable and accrued liabilities	GBP	(197,407)	16,469
Accounts payable and accrued liabilities	ZAR	-	(836)
Commercial production obligations	CAD	(707,850)	(754,973)
Current portion of lease obligations	MGA	(135,346)	(41,628)
Net foreign exchange exposure in USD		\$ 1,920,478	\$ (488,407)
Impact of 10% increase in CAD/USD exchange rates		\$ 253,124	\$ 135,080
Impact of 10% increase in MGA/USD exchange rates		(68,662)	(180,892)
Impact of 10% increase in MUR/USD exchange rates		24,629	(5,409)
Impact of 10% increase in ZAR/USD exchange rates		2,697	733
Impact of 10% increase in GBP/USD exchange rates		(19,741)	1,647
Total		\$ 192,048	\$ (48,841)

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

24. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2023 - 26.5%) to the effective tax rate is as follows:

	As at June 30, 2024	As at June 30, 2023
Net (loss) income before recovery of income taxes	\$ (8,753,649)	\$ (11,678,687)
Expected income tax (recovery) expense	(2,319,717)	(3,094,850)
Non-deductible expenses and other	20,520	16,900
Unrealized foreign exchange	271,500	187,330
Share based compensation	40,280	136,220
Change in value of warrant liability	(12,290)	724,540
Difference in foreign tax rates	462,216	332,160
Foreign withholding tax	246,380	-
Change in enacted tax rates	-	-
Change in tax benefits not recognized	1,537,490	1,697,702
Income tax (recovery) expense	\$ 246,379	\$ -

Deferred Tax

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. The following table summarizes the components of deferred tax:

	As at June 30, 2024	As at June 30, 2023
Deferred tax assets		
Lease liabilities	\$ 3,619,780	\$ 1,693,300
Non-capital losses Canadian entities	-	-
Non-capital losses foreign entities	(68,420)	127,030
Property, plant and equipment	208,930	-
Subtotal of deferred tax assets	3,760,290	1,820,030
Deferred tax liabilities		
Right-of-use assets	(3,551,360)	(1,820,330)
Mineral Properties	(208,930)	-
Subtotal of deferred tax liabilities	(3,760,290)	(1,820,330)
Net deferred tax asset (liability)	\$ -	\$ -

Unrecognized Deferred Tax Assets

Deferred taxes are provided because of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at June 30, 2024	As at June 30, 2023
Non-capital losses - Canadian entities	\$ 31,446,700	\$ 29,680,730
Non-capital losses - non-Canadian	13,337,810	6,557,930
Property, plant and equipment	2,135,740	1,514,350
Royalty obligation	2,489,380	1,016,880
Share and debt issuance cost	1,594,140	714,650
Capital loss carry forward	50,990	52,720
Tax Credits	29,710	30,710
Unrecognized deferred tax assets	\$ 51,084,470	\$39,567,970

The Canadian non-capital loss carry forwards expire as noted in the table below. Non-Canadian tax losses carried forward expire between 2025 and 2029. The capital losses carried forward can be carried forward indefinitely but can only be used to reduce capital gains. Investment tax credits expire from 2026 to 2044. Share issue and financing costs will be fully amortized in 2025. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

24. Income taxes (continued)

The Company's Canadian non-capital income tax losses expire as follows:

	As at June 30, 2024
2026	801,950
2027	777,620
2028	786,410
2029	1,330,430
2030	1,874,760
2031	2,396,660
2032	1,998,690
2033	2,432,700
2034	1,937,410
2035	1,393,980
2036	1,767,630
2037	1,158,410
2038	886,850
2039	1,713,180
2040	1,327,370
2041	1,746,140
2042	1,508,380
2043	2,813,560
2044	2,794,570
	<hr/> 31,446,700

Although NextSource redomiciled into Canada on December 27, 2017, the Company is treated as a United States corporation for United States federal income tax purposes and is subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, NextSource is treated as a Canadian resident company for Canadian income tax purposes. As a result, NextSource is subject to taxation both in Canada and the United States.