



NextSource Materials Inc.

Management's Discussion and Analysis (MD&A)

For the years ended June 30, 2025, and 2024

Expressed in US Dollars

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

Forward-looking information includes, but is not limited to, certain expectations, development plans, and production estimates in respect of the Molo Graphite Mine (as defined herein); certain expectations, development plans, and estimates in respect of a BAF (as defined herein) located in the UAE (as defined herein) and additional BAFs located in other key geographical locations, and strategies and project evaluation measures relating thereto; the Company's intention to advance development of a BAF in the Middle East; the potential completion of a BAF technical study; the Company's efforts in securing a BAF partnership; a potential agreement with POSCO (as defined herein); the Company's intention to supply AAM (as defined herein) to a major OEM (as defined herein) under the terms of the Offtake Agreement (as defined herein); supply, demand and pricing outlook in the graphite and EV (as defined herein) market; and the Company's business objectives and targeted milestones (and timing thereof).

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such factors relate to, among others, BAF technical studies, emerging markets; development, commissioning, and operation of the Molo Graphite Mine; development, commissioning, and operation of the BAFs; construction and start-up of new mines and industrial plants; geopolitical risk and conflict; additional financings; the Company's development and exploration projects are in the African country of Madagascar and are subject to country political and regulatory risks; the Company has a significant shareholder; economic dependence on the Molo Graphite Mine; permits and licenses are necessary to operate the Molo Graphite Mine and export products from Madagascar; additional permits and licenses are necessary to complete development of Phase 2 of the Molo Graphite Mine; fluctuations in the market price of graphite and other metals may adversely affect the value of the Company's securities, revenue projections and the ability of the Company to develop Phase 2 of the Molo Graphite Mine; estimates of mineral resources and mineral reserves may not be realized; the Company has a limited operating history and expects to incur operating losses for the foreseeable future; due to the speculative nature of mineral property exploration, there is substantial risk that the Company's mineral property assets will not achieve forecast production capacities or achieve commercial production; mining companies are increasingly required to consider and provide benefits to the communities and countries in which they operate, and are subject to extensive environmental, health and safety laws and regulations; because of the inherent dangers involved in mining operations and mineral exploration, there is a risk that the Company may incur liability or damages as the Company conducts business; should the Company lose the services of key executives, the Company's financial condition and proposed expansion may be negatively impacted; access to the Company's properties, mine operations, and export of product may be restricted by inclement weather or lack of proper infrastructure; climate change and related regulatory responses may impact the Company's business; compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for management; tax risks; the Company may experience losses due to foreign exchange translations; the Company's business is subject to anti-corruption and anti-bribery laws, a breach or violation of which could lead to civil and criminal fines and penalties, loss of licenses or permits and reputational harm; the Company is exposed to general economic conditions, which could have a material adverse impact on its business, operating results and financial condition; the market price for the common shares of the Company (the "Common Shares") is particularly volatile given the Company's status as a company with a small public float, limited operating history and lack of profits which could lead to wide fluctuations in the market price for the Common Shares; the Company does not intend to pay dividends in the foreseeable future; and other risks involved in the mineral exploration and development industry and risks specific to the Company, including the risk factors identified in the annual information form of the Company, for the year ended June 30, 2025, dated September 29, 2025 (the "AIF"), in this MD&A under "*Risk Factors*" and in other continuous disclosure documents of the Company filed under the Company's SEDAR+ profile at www.sedarplus.ca.

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

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

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

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

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

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INTRODUCTION

This Management’s Discussion and Analysis (“**MD&A**”) dated September 29, 2025 of NextSource Materials Inc. (“**NextSource**”, “**we**”, “**our**” or the “**Company**”) should be read in conjunction with the Company’s Consolidated Financial Statements for the years ended June 30, 2025 and 2024 (the “**Financial Statements**”) that were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the AIF, each of which are filed on the Company’s SEDAR+ profile at www.sedarplus.ca.

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

The Company’s financial year is from July to June and spans across **two calendar** years. The following table indicates the corresponding calendar periods for the 2025 financial year of the Company (and will be the same for 2026):

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

For example, when the Financial Statements and MD&A refer to *Q4 2025*, it will be consistent with the reporting period of the Company which corresponds to the calendar period April 1, 2025 to June 30, 2025, *and not* the calendar period October 1, 2025, to December 31, 2025.

Additional information relating to the Company is available on the Company’s SEDAR+ profile at www.sedarplus.ca.

BUSINESS DESCRIPTION

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

The common shares of the Company are listed on the Toronto Stock Exchange (“**TSX**”) under the symbol “**NEXT**” and on the OTCQB under the symbol “**NSRCF**”. The Company is a reporting issuer in all provinces of Canada except Quebec.

Business Strategy

The global graphite market has undergone considerable changes since early 2025, primarily influenced by rising demand for electric vehicle (“**EV**”) batteries, shifting geopolitical factors, and initiatives to diversify supply chains away from China. Presently, graphite prices are notably lower than historical averages, indicating temporary mismatches between supply and demand as well as broader macroeconomic challenges. Nevertheless, the overall outlook for the sector remains favourable, with sustained confidence in its long-term fundamentals. This perspective is supported by structural growth in demand associated with the energy transition, particularly the increasing adoption of EVs and energy storage systems, which continue to underpin a resilient long-term trajectory for the graphite market.

Escalating global tariff tensions are presently introducing considerable uncertainty into international markets, with the automotive industry and its intricate global supply chains experiencing significant impact. These disruptions are resulting in production delays and highlighting the strategic risks associated with dependence on concentrated sources for critical inputs, such as battery materials crucial to the electric vehicle transition.

The Company is committed to establishing itself as a vertically integrated global supplier of battery materials by mining and processing its proprietary SuperFlake® Graphite Concentrate (“**Superflake®**”), as well as potentially other battery minerals sourced from non-foreign entities of concern.

The Company has executed on this strategy through the construction and commissioning of the Molo Graphite Mine in southern Madagascar (the “**Molo Graphite Mine**”) and securing through its Japanese offtake partner and a leading Chinese processor of graphite anode material, a partnership to collaborate on the construction of a value-add, battery anode plant in a jurisdiction that is proximal to the Molo Graphite Mine.

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The Chinese partner is one of the top processors of spheronized ("SPG") and purified graphite ("PF") for the EV and hybrid EV ("HEV") markets and has verified that the Company's SuperFlake® meets or exceeds all quality requirements for SPG material for EV and HEV automotive applications.

On August 5, 2025, the Company and Mitsubishi Chemical Corporation ("MCC"), Japan's largest chemical company and a leading supplier of anode active material ("AAM") to original automotive equipment manufacturers ("OEMs"), have entered a binding, multi-year offtake agreement (the "Offtake Agreement"). Under the terms of the Offtake Agreement, the Company and MCC have partnered to supply AAM to a major OEM for the North American EV market.

Molo Graphite Mine

The Company operates the Molo Graphite Mine near Fotadrevo, Toliara Province, Madagascar—its sole mining property. It received a 40-year mining license in 2019 and began Phase 1 construction in 2021 with a production capacity of 17,000 tpa (tonnes per annum) of SuperFlake®. On December 12, 2023, the Company published an updated Feasibility study for an expanded Molo mine under Phase 2 with a production capacity of 150,000 tpa of Superflake®. The Molo Graphite Mine has a published mine life of 30 years under Phase 1 and a 25 year mine life under Phase 2.

Construction of the processing plant was completed in February 2023 and the first production of Superflake® in June 2023. Molo benefits from reliable infrastructure enabling access to regional ports in Toliara or Fort Dauphin. In October 2024, the Company completed its first commercial shipments of SuperFlake® to customers in Germany and the United States with deliveries made to customer destinations since January 2025.

Phase 1 production is subject to long-term offtake agreements with thyssenkrupp Materials Trading GmbH ("thyssenkrupp") and a prominent Japanese Trading Company (the "Japanese Partner").

On October 16, 2018, the Company entered into a 10-year binding offtake agreement with a prominent Japanese Trading Company to purchase 20,000 tonnes per annum of Molo SuperFlake® Graphite Concentrate for use in battery anode applications for electric and hybrid vehicles.

On May 25, 2021, the Company announced the binding commercial offtake agreement with thyssenkrupp for the sale of approximately 35,000 tpa of SuperFlake® from the Molo mine. The term of the agreement is 10 years with an automatic 5-year extension. Product will be for the refractory and expandable graphite (graphite foil) markets for sale in, but not limited to, Europe, the United Kingdom, North America, Mexico, China and South Korea.

The Japanese Partner is a major supplier of SPG and PF for AAM in lithium-ion batteries for EV and hybrid vehicle HEV applications. Its EV and HEV automotive anode customers are global, and they supply AAM to the majority of Japanese automotive OEMs.

On June 13, 2024, the Company announced the signing of a Mandate Letter with International Finance Corporation ("IFC"), the private sector investment arm of the World Bank Group, to lead a senior debt facility totaling \$91 million (the "IFC Debt Facility") to fund the Phase 2 expansion of the Molo Graphite Mine.

Battery Anode Facilities

The Battery Anode Facilities ("BAFs") are processing sites that convert flake graphite into SPG and coated SPG ("CSPG"), which comprise cathode material in lithium-ion batteries. BAFs do not fall under the definition of "mineral projects" as per NI 43-101 and accordingly any technical BAF studies to be completed by the Company are not and will not be "technical reports" for the purposes of NI 43-101 but instead are preliminary economic and technical studies relating to the design, construction and operation of potential BAFs.

With an exclusive license to established graphite processing technology through its Japanese offtake partner, the Company is focusing on developing a large-scale BAF in the Middle East.

The multi-year agreement with Mitsubishi Chemical Corporation is a catalyst for the construction of a BAF and requires the supply of approximately 9,000 tonnes per annum of AAM. The Company intended to advance development of the BAF in the Middle East instead of the previously announced location of Mauritius. Factors such as permitting efficiency, available infrastructure, and proximity to other OEMs make the Middle East a preferred location, and several potential sites have been identified in the United Arab Emirates ("UAE").

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Pricing for the agreement is based on a formula that incorporates both fixed and variable components and is designed to support project economics for the producer and secure capacity for the offtaker. The Offtake Agreement includes standard conditions precedent and termination rights typical for agreements of this type.

Based on the binding offtake agreement, the BAF development strategy includes:

- Completing the technical study on the potential BAF in the UAE
- Securing a property lease for construction of the BAF in the UAE
- Transporting and assembling existing BAF equipment from Mauritius to the new site and preparing for operations
- Finalizing the Molo Phase 2 expansion study for full integration from 2027

See "Cautionary Statement Regarding Forward-Looking Information" and "Risk Factors" herein and in the AIF. In respect of any forward-looking information or statements relating to the BAF, including but not limited to annual sales and operating cash flows, such figures have been included herein for the purposes of providing information on the project evaluation measures of the BAFs and should not be viewed as financial outlooks or guidance for the Company.

Exploration and Evaluation Properties

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

OUTLOOK AND MILESTONES*Executive Changes*

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

The Company further announced the strengthening of its management team to support the next phase of the Company's global growth strategy with the appointment of Dr. Tilo Hauke as Executive Vice President of Downstream Operations, effective October 1st, 2024, as well as the appointment of Jaco Crouse as Chief Financial Officer, effective July 9, 2024.

Dr. Hauke joined the Company from FREYR Battery, a US and Norway-based lithium-ion battery cell developer, where he was Executive Vice President Supply Chain Management. Prior to FREYR Battery, Dr. Hauke spent 20 years at SGL Carbon SE, a European company that is one of the world's leading manufacturers of carbon & graphite products. At SGL Carbon, he held various senior leadership positions including Senior Vice President, Business Line Fuel Cell Components and Group Vice President, Technology and Innovation. Dr. Hauke has been focussing on organizational design and operational readiness in anticipation of the inaugural BAF.

Financing

On October 11, 2024, the Company closed the first tranche of a non-brokered private placement offering, issuing 27,728,100 common shares of the Company at a price of CAD\$0.53 per share for an aggregate gross proceeds of \$10,703,661 (CAD\$14,695,893). The Company incurred issuance cost of \$82,294 for net proceeds of \$10,621,367. Vision Blue Resources Limited ("**Vision Blue**") acquired 15,582,300 shares for CAD\$8,258,619, while the remaining shares were allocated to new and existing shareholders. Vision Blue increased its ownership from 46.6% to 47.68% and remains a strong cornerstone shareholder of the Company.

Subsequently, on November 13, 2024 the Company closed a second and final tranche of the October 2024 announced non-brokered private placement offering, issuing an additional 1,360,000 common shares of the Company at a price of CAD\$0.53 per share for aggregate gross proceeds of \$524,990 (CAD\$720,800). The Company incurred issuance cost of \$48,410 for net proceeds of \$476,580.

In total the non-brokered private placement resulted in the issuance of 29,088,100 common shares of the Company at a price of CAD\$0.53 per share for an aggregate gross proceeds of \$11,228,651 (CAD\$15,416,693). The Company incurred issuance cost in total of \$130,704 for net proceeds of \$11,097,947.

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On January 30, 2025, the Company secured a drawdown credit facility of up to \$20 million from Vision Blue (See note 13 of the accompanied financial statements). This non-dilutive facility supported the advancement of the Company's BAF initiatives, facilitate continued development at Molo Graphite Mine, and provide working capital as needed. As of the date of this report, the facility was fully drawn.

Technical, social, legal, and environmental due diligence related to the mandate letter signed with the IFC continued throughout the reporting period and is anticipated to extend into the 2026 calendar year. The updated Molo Phase 2 feasibility study is underway to determine the project's timeline, considering a staged expansion. The IFC has also presented indicative terms and will coordinate debt syndication with select commercial banks and development finance institutions.

The Company is also advancing its financing efforts to engage potential strategic investors for the UAE Battery Anode Facility. This initiative aims to secure a partnership for establishing the BAF, supporting the Company's global supply chain and aligning with its broader corporate strategy.

Molo Graphite Mine – Molo Phase 1 and Molo Expansion

Since announcing the completion of construction and the initiation of the plant commissioning process on March 23, 2023, and the production of SuperFlake® in June 2023, the Company has progressed methodically through debottlenecking and optimization activities, identifying various technical issues. The first full container loads of high-quality, on specification, coarse flake graphite concentrate was exported from the Port of Toliara, Madagascar to Germany and to the United States of America under existing sales agreements during October 2024.

We have continued the build-up of graphite sales with a total of 787t of material shipped during the year. This included qualifying material of SuperFlake® with a carbon (C) content of over 95% to our larger flake customers as well as qualifying material to our BAF Technology Partner for qualifying tests and conversion into CSPG. Some of these shipments are currently being verified by the end customers to ensure that the coarse flake SuperFlake® meets the required specifications for future commercial sales.

However, the Molo Phase 1 operation was severely affected during Q3 2025 by excessive rain, with the recent monsoon season being unusually extreme as the site experienced 3 cyclones passing in close succession. This weather disruption significantly slowed the ramp-up process but was used as an opportunity for the Company to improve its operating procedures, with the site successfully weathering the storms with minimal incidents.

Given weak market conditions and graphite prices, and the prolonged ramp-up of Molo Phase 1 due to weather disruptions and technical challenges, a comprehensive review (the "**Review**") of Molo Phase 1 operations were conducted during the quarter which included a detailed technical and organizational assessment, and consolidation of the insights and learnings from the Phase 1 development. Key aspects of the study included an updated mine plan and practices, process flowsheet optimization through debottlenecking, and an evaluation of the operating strategy. The Review reaffirmed the world-class quality and potential of the Molo Graphite Mine ore reserve and graphite upgrade process, while also identifying opportunities to enhance the flow sheet, which will be incorporated into Phase 2 expansion.

The Review identified the remaining technical issues slowing the ramp-up - tracing to inefficiencies in the milling and flotation circuits - and the improvements needed to correct them, which limit the plant capacity to 11,000tpa. The solutions, however, require parts and equipment with significant lead-times (ordering, fabrication, delivery and installation) along with further capital investment, and the timelines required to complete improvements to Molo Phase 1 now overlap with the development plans for Phase 2. Instead of incurring costs and resources to complete final fixes to the Phase 1 plant where anticipated volume demands will quickly outgrow its volume capacity, the Company has updated the operational strategy to utilize Phase 1 for campaign production.

This shift enables the Company to preserve cash and divert limited resources towards preparations for Molo Phase 2 while being able to continue qualifying its graphite products and servicing key customers. Phase 2 is necessary in order to meet expected offtake volume commitments from the announced MCC agreement and to meet the strong volume demand for graphite forecasted from 2027 onwards.

This transition provided the opportunity to optimize the management structure, incorporating learnings from Phase 1 to better support the industry-scale Phase 2 plant. By refining its organizational framework and integrating these improvements, the Company aims to drive greater efficiency and stronger alignment with its strategic objectives, ensuring it is well-positioned to deliver on Phase 2's larger-scale production goals and its long-term vision to achieve sustained growth and success.

During the commissioning phase of Molo Phase 1, the plant produced >3,000t of Superflake®. The existing inventory together with campaign production will continue to support the qualification of our graphite products and the servicing of key customers. This will enable the Company to

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continue the build out of our sales channels as we mobilize the Phase 2 expansion to responsibly expand with market demand. The Company have strategically stockpiled -100 mesh Superflake® with the purpose of feeding the proposed BAF plant. The current stockpile is sufficient for AAM production under the MCC Offtake Agreement over the first 2 years.

Battery Anode Facility

The Mauritius BAF was intended to have an initial production capacity of 3,600 tpa of SPG and/or CSPG. Long-lead equipment and the main process equipment ordered in the 2024 financial year was received during Q1 2025. The total amount invested in the equipment as at June 30, 2025, was \$11,972,733 compared to \$9,492,982 as at June 30, 2024.

Since November 2022, the Company has been working closely with its project stakeholders to establish a world-class BAF in Mauritius. The Company leased a potential BAF site in Mauritius and invested in upgrading existing processes to ensure compliance with local regulations and to minimize any environmental impact. Throughout the extensive Environmental Impact Assessment ("EIA") review process, the Company continually and promptly met all requests for information.

Due to the prolonged and costly nature of the process, along with the remaining risk of post-approval contestation of Minister-approved EIAs, the Company decided to exercise its option to terminate the lease agreement on the Mauritius BAF at the end of May 2025 and withdraw its EIA application at no further cost. This strategic decision minimizes financial exposure while leveraging the transportable BAF processing equipment, ensuring cost-efficient redeployment and installation at any suitable new location. The transportability of the BAF plant significantly derisks the schedule timeline for delivering AAM into the MCC Offtake Agreement. The Company recognized a gain on the cancellation of the lease on the Mauritius BAF.

As mentioned under *Business Strategy*, several factors contributed to the Middle East as a preferred location, and several potential sites have been identified in the UAE and the Company terminated the Port Louis lease agreement in Mauritius and withdrew its EIA application without incurring additional costs.

The agreement includes a qualification process involving technical collaboration between the Company and MCC to provide AAM produced from SuperFlake®. The qualification process is projected to conclude in 2026 after installation of BAF processing equipment, with about half of the required equipment already acquired. MCC will process SuperFlake® anode active material in Japan and deliver it to its OEM customer's cell manufacturing operations in North America, with full-scale production anticipated from 2027.

The binding MCC offtake agreement is a significant advancement in the establishment of an inaugural BAF.

Other Battery Anode Facility Initiatives

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

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

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RESULTS OF OPERATIONS

The Company has two operating segments, consisting of the Molo Graphite Mine and BAF development. Commercial revenues have been generated by the Company in the 2025 financial year. The Company's President and Chief Executive Officer and Chief Financial Officer are the operating decision-makers and direct the allocation of resources to its segments.

Financial Results for the years ended June 30, 2025, and June 30, 2024

	Year ended June 30, 2025			Year ended June 30, 2024		
	Mine	BAF	Total	Mine	BAF	Total
Revenues	\$ 714,837	\$ —	\$ 714,837	\$ —	\$ —	\$ —
Expenses						
Cost of Sales	3,085,801	—	3,085,801	—	—	—
Write-down of inventory to net realizable value	3,687,157	—	3,687,157	—	—	—
Impairment of Property Plant and Equipment	—	1,959,662	1,959,662	—	—	—
Finance costs	—	—	—	63,168	204,776	267,944
Depreciation	122,097	542,741	664,838	109,890	82,321	192,211
Impairment of foreign VAT receivable	—	398,959	398,959	1,599,832	—	1,599,832
Exploration and evaluation expenses	31,379	—	31,379	75,941	—	75,941
Madagascar Government Royalties	16,362	—	16,362	239	—	239
Change in value of lease liability	—	(171,954)	(171,954)	—	—	—
Gain on Disposal of right of use asset	—	(261,544)	(261,544)	—	(178,339)	(178,339)
Segment loss	(6,227,959)	(2,467,864)	(8,695,823)	(1,849,070)	(108,758)	(1,957,828)
Other (Expenses)/Income						
General and administrative expenses			(8,896,761)			(6,766,917)
Share-based compensation			108,911			(334,411)
Depreciation			—			(6,111)
Net Realized exchange gain/loss			(1,551,874)			(883,141)
Finance income			122,320			1,156,840
Change in value of royalty obligation			680,592			(8,443)
Impairment of Property Plant and Equipment			(2,129,656)			—
Change in value of commercial production obligation			231,688			46,362
Finance cost			(2,583,930)			—
Loss before income taxes			(22,714,533)			(8,753,649)
Current income tax expense			(541,760)			(246,379)
Net loss			(23,256,293)			(9,000,028)
Other comprehensive income						
Items that will be reclassified subsequently to net income (loss)						
Translation adjustment for foreign operations			531,891			288,566
Net loss and comprehensive loss			\$ (22,724,402)			\$ (8,711,462)

Discussion of the years ended June 30, 2025, and the comparative June 30, 2024

For the nine months ended March 31, 2025, and the year ended June 30, 2025, the Molo Graphite Mine was considered in commissioning and ramp-up. After the Review conducted in Q3 2025, the decision was made to run the Molo Graphite Mine on campaign operation. Consequently capitalization of operating costs considered part of commissioning and ramp-up ceased and instead such costs have been expensed as cost of sales in Q4 2025 when applicable. Refer to *Molo Graphite Mine under Outlook and Milestones*.

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Net loss and comprehensive loss increased to \$22,724,402 (2024: \$8,711,462) due to the following:

- The Molo Graphite Mine segment loss increased to \$6,227,959 for the year ended June 30, 2025 (2024: \$1,849,070), and relate to the following:
 - For the year ended June 30, 2025, the Molo Graphite Mine sold 787 tonnes of SuperFlake® for \$714,837 (2024: \$Nil) under the existing SuperFlake® offtake agreements with thyssenkrupp and a Japanese Trading Company.
 - Similarly to 2024, \$3,358,916 (2024: \$9,581,458) of operating expenses from Q1 2025 to Q3 2025 were capitalized as commissioning and ramp-up costs under assets-under-construction, as management aimed to achieve commercial production at the Molo Graphite Mine and processing plant. In Q4 2025, operating expenses were expensed to cost of inventory as applicable and recognized in the Statement of Operations and Comprehensive Loss as cost of sales when applicable. The Company recognized for the year ended June 30, 2025, \$974,143 (2024: \$Nil) of the cost of inventory and expensed abnormal indirect cost of \$4,277,539 (2024: \$Nil) for a total cost of sales of \$5,251,682 (2024: \$Nil).
 - Inventory is carried at the lower of cost or net realizable value. With the low throughput capacity of the Molo Graphite Mine and processing plant in 2025, the cost of production was in excess of the net realizable value as at June 30, 2025 (2024: Not applicable). The net realizable value was calculated using the SuperFlake® inventory distribution and Benchmark Mineral Intelligence FOB China reference price as at June 30, 2025. This resulted in the write down of inventory of \$3,687,157 (2024: \$Nil).
 - Exploration and evaluation expenditures decreased to \$31,379 in 2025 (2024: \$ 75,941) and relates predominantly to the timing of renewal of mineral claims in Madagascar and Canada.
 - Depreciation expenses increased to \$122,097 (2024: \$109,890) and represent mainly the depreciation of the Molo Graphite Mine and processing plant in Q4 2025 as the Company switched to campaign production.
 - Finance cost is accretion associated with the office lease and was capitalized as cost of inventory and considered an indirect operating cost. Operation of the Molo Graphite Mine is dependent on the office as it performs most mine administrative functions and customs clearing for the purchases of all consumables. The expenses for 2025 is therefore \$Nil (2024: \$63,168).
 - The Madagascar VAT receivable is associated with the claim related to value-added tax paid on consumables and services in Madagascar to operate the Molo Graphite Mine. The VAT refunds are rarely made and accordingly the VAT receivable is impaired. Since this VAT relates to operating cost, the impairment of the VAT receivable of \$1,833,422 was capitalized as inventory cost in 2025 (2024: \$1,599,832) and either resulted as a part of cost of sales or write down of inventory to net realizable value.
 - Royalties represent the 5% Madagascar Government Royalties on sales of SuperFlake® of \$16,362 (2024: \$239).
- BAF expenditures increased to \$2,467,864 for the year ended June 30, 2025 (2024: \$108,758), and relate to the following:
 - Finance cost increased to \$Nil (2024: \$204,776) and represent the implied financing charges related to the industrial lease for the Port Louis BAF site in Mauritius. The lease incurred minimal finance charges due to the delayed occupation date in the 2024 financial year. Due to the uncertainty related to the EIA permit relative to other jurisdictions, the Port Louis lease was terminated as at May 31, 2025 - Refer to *Battery Anode Facility* under Outlook and Milestones. The termination of the lease resulted in a gain for the 2025 financial year of \$261,554 (2024: \$178,339) and represents the difference between the carrying value of the lease liability and the carrying value of the right-of-use asset as at the date of termination. The 2024 gain on disposal of right-of-use asset relates to the cancellation of the Jin Fei lease in Mauritius, the initial location for the inaugural BAF.
 - The termination of the Port Louis lease and withdrawal of the EIA application resulted in the impairment of Mauritius specific capitalized evaluation and equipment costs of \$1,959,662 (2024: \$Nil).
 - Depreciation expenses increased to \$542,741 (2024: \$82,321) and represents 9 months of depreciation associated with the Port Louis right-of-use asset (until termination date of the lease) compared to the limited depreciation in 2024 since two of the three zones of the lease were only occupied in January and June 2024 respectively.
 - The BAF VAT receivable is associated with commercial activity in Mauritius. This VAT receivable or refund can only be claimed against VAT payable. The termination of the Port Louis lease and the decision by the Company to relocate the inaugural BAF to the UAE, makes the possibility of VAT payable in Mauritius remote. Accordingly, the Company made the decision to impair the total VAT receivable of \$398,959 (2024: \$Nil).

NextSource Materials Inc.**Management's Discussion and Analysis****For the years ended June 30, 2025, and 2024**

- General and administrative expenses increased to \$8,896,761 for the year ended June 30, 2025 (2024: \$6,766,917), and relate to the following:
 - Payroll and management compensation fees increased to \$4,476,192 (2024: \$2,430,368) due to an expansion of executive management. Refer to *Executive Changes* under Outlook and Milestones. Hanré Rossouw officially joined the Company as Chief Executive Officer on November 1, 2024, whilst the previous Chief Executive Officer, Craig Scherba was retained as Chief Development Officer. Dr. Tilo Hauke was appointed on October 1, 2024 and Jaco Crouse as Chief Financial Officer on July 9, 2024.
 - External consulting fees remained relatively unchanged \$729,723 (2024: \$756,270)
 - Professional fees increased to \$1,923,490 (2024: \$1,514,576) due to the expanded global presence of the executive of the Company and increased legal, audit, tax, payroll, and offshore management fees.
 - Public company expenses decreased to \$255,422 (2024: \$394,349) with the reduction in external consultants, support services and subscriptions.
 - Corporate travel expenses decreased to \$464,644 (2024: \$573,564) due to a decrease in international travel by executives. Board and committee meetings were held virtually to reduce cost and bridge timezones as effectively as possible.
 - Insurance expenses marginally increased to \$74,405 (2024: \$66,297) as coverage was added for BAF equipment currently stored in China and the inclusion of marine cargo insurance for the shipment of SuperFlake® on CIF Incoterms.
 - Sales and marketing expenses decreased to \$64,989 (2024: \$132,952) as external advisors relating to the automotive industry (OEM) were reduced and the attendance of conferences limited.
 - Office and administration expenses increased to \$907,896 (2024: \$898,541) relating to the licenses and implementation of Pronto Xi as ERP software. Information technology (IT) systems and connectivity specifically relating to the Molo Graphite Mine were upgraded during the 2025 financial year and we do not expect any further increases.
- The remeasurement of RSU share-based compensation liability resulted in a gain of \$108,911 compared to a loss in 2024 of \$334,411. The Company share price deteriorated from a close of C\$0.89 on June 28, 2024 to a close of C\$0.24 on June 30, 2025.
- Corporate assets which mainly represents computer equipment was fully depreciated at the end of June 30, 2024 and accordingly there was no charge for the year ended June 30, 2025 (2024: \$6,111).
- Foreign currency translation loss of \$1,551,874 (2024: Loss of \$883,141) mainly from the strengthening of the Madagascar Ariary (from MGA 4,433 in 2024 to MGA 4,437) and the South African Rand (from ZAR 18.86 in 2024 to ZAR 17.81) in 2025 against the US Dollar. The Canadian Dollar remained stable against the US Dollar (from CAD 1.37 in 2024 to CAD 1.37 in 2025).
- Finance income represents interest on bank balances. Interest income decreased to \$122,320 (2024: \$1,156,840) as the Company operated on a much lower average bank balance relative to the 2024 financial year.
- Gain of \$680,592 on the remeasurement of the Vision Blue royalty obligation (2024: loss of \$8,443). The accretion associated with the royalty obligation of \$1,464,054 was capitalized to assets-under-construction (2023: \$1,373,075). The gain is related to the lower campaign production from the Molo Graphite Mine in the near term, resulting in a reduction of the royalty liability outside of the minimum payment period. Refer to *Molo Graphite Mine: Molo Phase 1 and Molo Expansion* under Outlook and Milestones.
- The termination of the Port Louis lease and withdrawal of the EIA application resulted in the impairment of Mauritius specific capitalized evaluation and equipment costs of \$2,129,656 (2024: \$Nil)

NextSource Materials Inc.

Management's Discussion and Analysis

For the years ended June 30, 2025, and 2024

- Commercial production obligation was remeasured resulting in a gain of \$231,688 (2024: gain of \$46,362) due to an extension of the estimated commercial production date as the Company shifted to campaign production in the near term. Commercial production accretion of \$22,513 was capitalized to assets-under-construction (2024: \$94,018). Refer to *Molo Graphite Mine: Molo Phase 1 and Molo Expansion* under Outlook and Milestones.
- Finance cost represent the uncapitalized portion of interest and accretion on the Vision Blue drawdown credit facility and Vision Blue royalty for Q4 2025 of \$1,159,429 (2024: \$Nil). Prior to the decision to utilize the Molo Phase 1 plant for campaign production, the borrowing costs were capitalized as assets-under-construction.
- Current income tax expense of \$541,760 (2024: \$246,379) related to an increase in tax payable on import services and goods into Madagascar.
- Decrease in other comprehensive loss due to a gain in the translation adjustment for the Madagascar foreign operations of \$531,891 (2024: gain of \$288,566).

Financial Results for the three months ended June 30, 2025, and June 30, 2024

	Three Months Ended June 30, 2025			Three Months Ended June 30, 2024		
	Mine	BAF	Total	Mine	BAF	Total
Revenues	\$ 455,485	\$ —	\$ 455,485	\$ -		\$ -
Expenses						
Cost of Sales	2,736,355	—	2,736,355	—	—	—
Write-down of inventory to net realizable value	3,687,157	—	3,687,157	—	—	—
Impairment of Property Plant and Equipment	—	1,959,662	1,959,662	—	—	—
Finance cost	(65,817)	—	(65,817)	31,338	204,776	236,114
Depreciation	122,097	—	122,097	(439,751)	—	(439,751)
Exploration and evaluation expenses	19,545	—	19,545	50,267	—	50,267
Madagascar Government Royalties	16,362	—	16,362	—	—	—
Impairment of VAT receivable	(1,391,561)	398,959	(992,602)	401,728	—	401,728
Change in value of lease liability	—	(1,089,802)	(1,089,802)	—	—	—
Gain on Disposal of right of use asset	—	(261,544)	(261,544)	—	—	—
Segment loss	(4,668,653)	(1,007,275)	(5,675,928)	(43,583)	(204,776)	(248,359)
Other (Expenses)/Income						
General and administrative expenses			(1,466,877)			(2,516,681)
Share-based compensation			161,171			(118,411)
Depreciation			6,824			(1,764)
Foreign currency translation loss			(1,022,358)			(1,381,995)
Finance income			36,342			150,986
Change in value of lease liability			(38,831)			—
Change in value of royalty obligation			(1,186,642)			(8,443)
Impairment of Property Plant and Equipment			(2,129,656)			—
Change in value of commercial production obligation			142,233			—
Finance cost			(2,292,244)			—
Loss before income taxes			(13,465,966)			(4,124,667)
Current income tax expense			(279,019)			(246,379)
Net Loss			(13,744,985)			(4,371,046)
Other comprehensive income						
Translation adjustment for foreign operations			1,688,011			(499,456)
Net loss and comprehensive loss			\$ (12,056,974)			\$ (4,870,502)

NextSource Materials Inc.**Management's Discussion and Analysis****For the years ended June 30, 2025, and 2024**

Discussion of the three months ended June 30, 2025, and the comparative June 30, 2024.

Net loss and comprehensive loss increased to \$12,056,974 (2024: \$4,870,502) due to the following:

- The Molo Graphite Mine segment loss increased to \$4,668,653 for the three months ended June 30, 2025 (2024: \$43,583) and relate to the following:
 - For the three months ended June 30, 2025, the Molo Graphite Mine sold 379 tonnes of SuperFlake® under the existing offtake agreements with thyssenkrupp and a Japanese Trading Company for \$455,485 (2024: \$Nil).
 - Cost of sales of \$2,736,355 (2024: \$Nil) as the Company sold 379 tonnes in Q4 2025 compared to no sales for the corresponding period in 2024. The cost of sales consist of \$468,893 cost of inventories and abnormal indirect cost of \$4,433,343 (2024: \$Nil). No operating expenses were capitalized during Q4 2025, since the Company made the decision to utilize the Molo Graphite Mine and processing plant for campaign production (2024: \$3,990,362).
 - Inventory is carried at the lower of cost or net realizable value. With the low throughput capacity of the Molo Graphite Mine and processing plant in 2025, the cost of production was in excess of the net realizable value as at June 30, 2025 (2024: Not applicable). The net realizable value was calculated using the SuperFlake® inventory distribution and Benchmark Mineral Intelligence FOB China reference price as at June 30, 2025. This resulted in the write down of inventory of \$3,687,157 (2024: \$Nil).
 - Exploration and evaluation expenditures decreased to \$19,545 (2024: \$50,267) and relates predominantly to the timing of renewal of mineral claims in Madagascar and Canada.
 - Finance cost is accretion associated with the Antananarivo office lease that was capitalized as cost of inventory and considered an indirect operating cost. Operation of the Mine is dependent on the office as it performs most mine administrative functions and customs clearing for the purchases of all consumables. The capitalization resulted in a gain in the statement of operations for Q4 2025 of \$65,817 (2024: \$31,338).
 - Depreciation expenses increased to \$122,097 and represent mainly the depreciation of the Molo Graphite Mine and processing plant in Q4 2025 as the Company switched to campaign production (2024: A correction of \$439,751 to prior quarters to capitalize depreciation as assets-under-construction).
 - The impairment of the VAT receivable was capitalized to cost of inventory in Q4 2025 since the VAT claimed relates to operating expenses. This capitalization resulted in a correction for prior quarters of \$1,391,561 (2024: gain of \$401,728).
- BAF segment loss increased \$1,007,275 for the three months ended June 30, 2025 (2024: \$204,776) and relate to the following:
 - The Port Louis lease in connection with the Mauritius BAF was terminated end of May 2025 at no additional cost. Accordingly the total finance cost for Q4 2025 was \$Nil (2024: \$204,776).
 - The termination of the lease resulted in a gain recognized in Q4 2025 of \$261,554 (2024: \$Nil) and represents the difference between the carrying value of the lease liability and the carrying value of the right-of-use asset as at the date of termination. The lease liability was and right-of-use asset was remeasured prior to termination at a loss of \$(1,089,802) (2024: \$Nil).
 - The termination of the Port Louis lease resulted in the impairment of capitalized evaluation and Mauritius specific BAF equipment costs of \$1,959,662 (2024: \$Nil).
 - The BAF VAT receivable is associated with commercial activity in Mauritius. This VAT receivable or refund can only be claimed against VAT payable. The termination of the Port Louis lease and the decision by the Company to relocate the inaugural BAF to the UAE, makes the possibility of VAT payable in Mauritius remote. Accordingly, the Company made the decision to impair the total VAT receivable of \$398,959 (2024: \$Nil).
- General and administrative expenses decreased to \$1,466,877 (2024: \$2,516,681) and relate to the following:
 - During Q4 2025, abnormal indirect cost of \$1,206,167 (2024: \$Nil) that was reported as general and administrative expenses for the 9 months ended March 31, 2025, was reclassified to cost of sales. This correction of the Q3 2025 results reduced the movement in general and administrative expenses to \$1,466,877 for the three months ended June 30, 2025.

NextSource Materials Inc.**Management's Discussion and Analysis****For the years ended June 30, 2025, and 2024**

- Payroll and management compensation fees increased to \$1,246,734 (2024: \$709,331) due to an expansion of executive management. Despite the expansion of the executive management, the bonus provision reduced to \$96,732 compared to \$206,912 in 2024. Refer to *Executive Changes* under Outlook and Milestones. During Q4 2025, the Company also incurred severance cost of \$196,388 relating to terminations as a consequence of the decision to relocate the Mauritius BAF to the UAE.
- External consulting fees decreased to \$423,637 in response to the expanded executive team (2024: \$506,621).
- Professional fees decreased to \$250,285 (2024: \$740,466) due to a decrease in recruitment expenses, compensation consultants, legal, audit, tax, and offshore management fees. Executive search costs for the current Chief Executive Officer and Chief Financial Officer were mainly incurred in Q4 2024.
- Public company expenses remained relatively in-line at \$103,800 (2024: \$107,682). Public company expenses relates to Sedar filings, transfer agent fees and shareholder meetings.
- Corporate travel expenses decreased to \$78,596 (2024: \$158,546) due to consolidation of Company travel under a single corporate travel agent and an overall reduction in corporate travel.
- No sales and marketing expenses were incurred for Q4 2025 (2024: \$32,891) as the Company was focused on closing out the MCC offtake agreement.
- Office and administration expenses increased to \$268,948 (2024: \$237,230) due to variations in general administration expenditures in Canada, Mauritius, and Madagascar.
- The remeasurement of RSU share-based compensation liability resulted in a gain of \$161,171 in Q4 2025 compared to a loss in Q4 2024 of \$118,411. The Company share price deteriorated from a close of C\$0.42 on March 31, 2025 to a close of C\$0.24 on June 30, 2025.
- Foreign currency translation loss of \$1,022,358 (2024: Loss of \$1,381,995) from the strengthening of foreign currencies against the US Dollar.
- Finance income decreased to \$36,342 in Q4 2025 compared to the comparative period in Q4 2024 (2024: \$150,952). The lower interest income is due to the on average lower cash balance in Q4 2025 compared to Q4 2024.
- Gain of \$1,186,642 on the remeasurement of the Vision Blue royalty obligation (2024: loss of \$8,443). The gain is related to the decision made in early Q4 2025 to run the Molo Graphite Mine on campaign production, resulting in a reduction of the royalty liability outside of the minimum payment period. Refer to *Molo Graphite Mine: Molo Phase 1 and Molo Expansion* under Outlook and Milestones.
- The termination of the Port Louis lease in Mauritius resulted in the impairment of capitalized evaluation and BAF study costs specifically related to Mauritius of \$2,129,656 (2024: \$Nil).
- Gain on the remeasurement of the commercial production obligation \$142,233 (2024: \$Nil). The gain is related to the decision made in early Q4 2025 to run the Molo Graphite Mine on campaign production and therefore deferring the commercial production date into the future. Refer to *Molo Graphite Mine: Molo Phase 1 and Molo Expansion* under Outlook and Milestones.
- Finance cost on borrowings represent the uncapitalized portion of interest and accretion on the Vision Blue credit drawdown facility and Vision Blue royalty for Q4 2025 of \$2,292,244 (2024: \$Nil). Prior to the decision to utilize the Molo Phase 1 plant for campaign production, the borrowing costs were capitalized as assets-under-construction.
- Current income tax expense increased to \$279,019 (2024: \$246,379) related to withholding tax provisions.
- Decrease in comprehensive loss due to a gain of \$1,688,011 (2024: loss of \$499,456) in the translation adjustment for the Madagascar foreign operations.

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Management's Discussion and Analysis
For the years ended June 30, 2025, and 2024

STATEMENT OF FINANCIAL POSITION

Cash and Cash Equivalents

As of June 30, 2025, cash and cash equivalents were \$3,281,768 (2024: \$10,770,381).

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

		As at June 30, 2025	As at June 30, 2024
Canada	\$	2,460,621	9,754,055
Mauritius		333,442	325,052
Madagascar		487,705	691,274
Total Cash and Cash Equivalents	\$	3,281,768 \$	10,770,381

Amounts Receivable

As of June 30, 2025, amounts receivables were \$483,449 (2024: \$427,977) and mainly represented sales tax receivable in Canada. The amount is presented net of an impairment of VAT receivable of \$398,959 in Mauritius and \$1,833,422 in Madagascar (2024: \$1,599,832). The Mauritius VAT receivable can only be claimed against future VAT payable. The decision to terminate the Port Louis lease and relocate the BAF to the UAE makes the recoverability of this receivable unlikely. The Madagascar VAT receivable has been impaired due to uncertainty as to the recoverability of inputs to be claimed. This impairment relates to operating cost and has accordingly been capitalized as a cost of inventory.

Inventories

As of June 30, 2025, the carrying value of inventories was \$6,013,127 (2024: \$1,002,793) and consisted of run-of-mine stockpiles, SuperFlake® and consumable materials that will be consumed during mining operations.

		As at June 30, 2025	As at June 30, 2024
Consumable materials	\$	2,256,031 \$	923,337
Run-of-mine (ROM) stockpile		1,451,654	71,279
Superflake® Graphite concentrate		2,305,442	8,177
Total Inventories	\$	6,013,127 \$	1,002,793

Run-of-mine stockpile inventory and SuperFlake® are carried at net realizable value. As at June 30, 2025, run-of-mine stockpile was written down by \$851,637 and the SuperFlake® was written down by \$2,835,501. Both amounts are reflected in the statement of operations and comprehensive loss. The cost of inventories recognized as cost of goods sold for the year ended June 30, 2025 was \$974,143 (2024: \$Nil).

Prepaid Expenses

As of June 30, 2025, prepaid expenses were \$862,789 (2024: \$1,333,944) and consisted of prepaid insurance, services, and raw materials.

		As at June 30, 2025	As at June 30, 2024
Vendor Advances	\$	275,446 \$	1,174,515
Insurance & Services		587,343	159,429
Total Prepaid	\$	862,789 \$	1,333,944

NextSource Materials Inc.

Management's Discussion and Analysis

For the years ended June 30, 2025, and 2024

Long-term prepayments and Deposits

As of June 30, 2025, the carrying value of long-term prepayments and deposits for long-term assets was \$889,184 (2024: \$9,492,982) and consists mainly of Port Louis security deposit paid which was still owing as at June 30, 2025. As at June 30, 2024 prepayments relate to BAF equipment that was manufactured through the Company's technology partner and stored offshore.

Property, Plant, and Equipment

For the year ended June 30, 2025, the Company had additions of \$16,808,900 (2024: \$28,274,941) and capitalized development costs of \$3,333,729 (2024: \$9,581,458). The additions represent the capitalization of BAF equipment for \$11,972,733 of which \$8,609,740, was accounted for as a prepayment as of June 30, 2024 (See *Long-term prepayments and Deposits*).

Continued ramp-up and commissioning costs of the Molo Graphite Mine and processing plant were capitalized until the end of Q3 2025. Capitalization ceased at the start of Q4 2025 as the decision was made to utilize the existing plant for campaign production. Accordingly, the capitalized Molo Graphite Mine plant costs of \$32,264,210 (2024: \$Nil) were transferred from assets-under-construction to plant, and depreciation commenced. There were no other transfers from assets-under-construction to other categories of assets for the year ended June 30, 2025 (2024: \$Nil).

	Property	Plant	Equipment	Right-of-Use Assets	Assets Under Construction	Total
As at June 30, 2023	\$ 2,096,759	\$ 8,161,993	\$ 2,559,807	\$ 12,419,209	\$ 18,999,061	\$ 44,236,829
Additions	1,466,305	81,262	453,535	21,192,030	5,081,809	28,274,941
Development costs	—	—	—	—	9,581,458	9,581,458
Depreciation	(8,120)	(418,808)	(430,932)	(193,080)	852,618	(198,322)
Cancellation and derecognition of	—	—	—	(12,332,100)	—	(12,332,100)
Impact of foreign exchange	12,708	62,348	24,938	5,659	152,166	257,819
As at June 30, 2024	\$ 3,567,652	\$ 7,886,795	\$ 2,607,348	\$ 21,091,718	\$ 34,667,112	\$ 69,820,625
Additions	226,424	163,242	146,951	—	16,272,283	16,808,900
Development costs	—	—	—	—	3,333,729	3,333,729
Transfers	—	32,264,210	—	—	(32,264,210)	—
Depreciation	(8,943)	(832,229)	(470,032)	(600,003)	1,246,369	(664,838)
Lease termination and write off	—	—	—	(12,939,442)	(4,089,318)	(17,028,760)
Impact of foreign exchange	19,194	1,158,179	5,342	42,599	(830,186)	395,128
As at June 30, 2025	\$ 3,804,327	\$ 40,640,197	\$ 2,289,609	\$ 7,594,872	\$ 18,335,779	\$ 72,664,784
Cost	3,575,800	8,352,405	3,226,186	21,193,292	34,667,112	71,014,795
Accumulated depreciation	(8,148)	(465,610)	(618,838)	(101,574)	—	(1,194,170)
As at June 30, 2024	\$ 3,567,652	\$ 7,886,795	\$ 2,607,348	\$ 21,091,718	\$ 34,667,112	\$ 69,820,625
Cost	3,821,774	41,962,064	3,397,173	7,903,596	18,335,779	75,420,386
Accumulated depreciation	(17,447)	(1,321,867)	(1,107,564)	(308,724)	—	(2,755,603)
As at June 30, 2025	\$ 3,804,327	\$ 40,640,197	\$ 2,289,609	\$ 7,594,872	\$ 18,335,779	\$ 72,664,783

There were no additions to right-of-use assets for the year ended June 30, 2025 (2024: \$21,192,030). As at June 30, 2025, the Company did not capitalize any evaluation costs related to its exploration and evaluation projects.

Finance costs related to

- accretion of the royalty obligation of \$1,158,612 (2024: \$1,464,054),
- accretion of the commercial production obligation of \$66,006 (2024: \$22,513)
- accretion related to lease obligations of \$1,170,590 (2024: \$1,086,224) and
- interest and accretion related to the Vision Blue drawdown credit facility of \$227,975 (2024: \$Nil)

were capitalized as assets-under-construction for the year ended June 30, 2025.

Depreciation of \$1,246,369 (2024: \$852,618) was capitalized as assets-under-construction during the commissioning and ramp-up of the Molo Graphite Mine.

NextSource Materials Inc.**Management's Discussion and Analysis****For the years ended June 30, 2025, and 2024**

On June 2nd, 2025, the Company announced the relocation of the inaugural BAF Development Project from Mauritius to the Middle East. The Company exercised its option to terminate the Port Louis lease agreement on May 31, 2025 and withdraw its EIA application at no further cost (see *Note 11 Right-of-Use assets and lease obligations*). The carrying value of \$12,939,442 of the Port Louis right-of-use asset was derecognized and offset against the lease liability. Capitalized studies and certain site-specific equipment associated with the Mauritius BAF facility of \$4,089,318 (2024: \$Nil) was impaired as at June 30, 2025.

Exploration and Evaluation Expenditures

Since early 2012, the Company has focused its efforts on the Molo Graphite Mine and as such only a limited amount of work has been completed on the Green Giant Vanadium Project, located in Madagascar, and the Sagar Project, located in Quebec. The associated exploration license fees are expensed as incurred.

Impairment Assessment

As at June 30, 2025, the Company's book value of net assets exceeded its market capitalization, which triggered an overall impairment assessment. As a result of the overall impairment trigger, the Company performed valuations to estimate the respective recoverable amounts of its CGUs (BAF and Molo Mine) in order to compare such respective estimated recoverable amounts to their respective carrying values.

In order to estimate the respective recoverable amounts of the CGU's, the Company followed a fair value less costs of disposal (FVLCD) approach classified within Level 3 of the fair value hierarchy (see Note 24).

The Company utilized a conventional discounted cash flow methodology considering projected cash flows from their business plans, risk adjusted discount rates and sensitivities. The Company concluded that the estimated recoverable amounts were above their carrying value and therefore did not record impairments.

The Company considered the impact of changes in the most significant assumption to the estimated recoverable amount as follows:

Impairment Sensitivities		Impact
Discount Rate (+10%)	\$	(37.70)
Flake Graphite Price (-10%)	\$	(34.04)

A 10% increase to the discount rate or a 10% decrease to the Flake Graphite Price would not have resulted in impairments for the Company.

Accounts Payable and Accrued Liabilities

As of June 30, 2025, accounts payable and accrued liabilities were \$4,962,950 (2024: \$4,282,479).

		As at June 30, 2025		As at June 30, 2024
Accounts payable	\$	1,875,356	\$	2,601,261
Accrued liabilities		3,087,594		1,681,218
Total accounts payable and accrued liabilities	\$	4,962,950	\$	4,282,479

Right-of-Use Lease Obligations

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

- 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 of \$13,319,736 consisting of a lease obligation of \$13,299,736 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

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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 Graphite 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 \$1,005,002. During the year, \$63,627 of depreciation and \$1,170,590 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:

		Port-Louis		CBE Power		Tana Office		Total
		BAF Lease		Facility Lease		Lease		Obligations
As at June 30, 2023	\$	—	\$	—	\$	—	\$	—
Initial recognition of obligation		13,319,736		7,871,192		365,119		21,556,047
Finance costs		—		1,086,224		21,354		1,107,578
Lease payments		(899,599)		(474,877)		(87,397)		(1,461,873)
Remeasurement of lease liability		—		—		—		—
Disposals		—		—		—		—
Foreign exchange adjustments		—		—		2,157		2,157
As at June 30, 2024	\$	12,420,137	\$	8,482,539	\$	301,233	\$	21,203,909
Initial recognition of obligation		—		—		—		—
Finance costs		1,424,501		1,170,590		26,408		2,621,499
Lease payments		(863,384)		(1,005,002)		(143,839)		(2,012,225)
Remeasurement of lease liability		94,291		—		—		94,291
Lease termination (note 9)		(13,075,545)		—		—		(13,075,545)
Foreign exchange adjustments		—		—		(2,076)		(2,076)
As at June 30, 2025	\$	—	\$	8,648,127	\$	181,726	\$	8,829,853

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

		Port-Louis		CBE Power		Tana Office		Total
		BAF Lease		Facility Lease		Lease		Obligations
Current portion of lease obligations		—	\$	1,267,183	\$	133,793	\$	1,400,976
Long-term lease obligations		—		7,380,944		47,933		7,428,877
As at June 30, 2025	\$	—	\$	8,648,127	\$	181,726	\$	8,829,853

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

	CBE Power Facility Lease	Tana Office Lease	Total Obligations
Within 12 months	\$ 1,267,183	\$ 133,793	\$ 1,400,976
Between 13 and 24 months	1,267,183	47,933	1,315,116
Between 25 and 36 months	1,267,183	—	1,267,183
Between 37 and 48 months	1,267,183	—	1,267,183
Between 49 and 60 months	1,267,183	—	1,267,183
Over 60 months	21,542,106	—	21,542,106
Total undiscounted lease obligations	\$ 27,878,021	\$ 181,726.00	\$ 28,059,747

Low value leases, short-term leases of less than 12 months, and leases with variable payments proportional to the rate of use of the underlying assets do not give rise to lease obligations. During the year ended June 30, 2025, the Company recognized short-term and low value rent expenses of \$120,584 (2024: \$47,582) in the consolidated statements of operations and comprehensive (loss) income.

Royalty obligation

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

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

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

On June 30, 2025, the obligation was remeasured at \$10,592,367 (2024: \$11,591,878).

	Total
As at June 30, 2023	\$ 12,016,881
Accretion	1,464,054
Minimum repayments	(1,897,500)
Remeasurement	8,443
As at June 30, 2024	\$ 11,591,878
Accretion	1,578,580
Minimum repayments	(1,897,500)
Remeasurement	(680,592)
As at June 30, 2025	\$ 10,592,366

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During the year ended June 30, 2025, the obligation increased due to accretion of \$1,578,580 (2024: \$1,464,054), a remeasurement gain of \$680,592 (2024: loss of \$8,443) recognized through the consolidated statements of operations and comprehensive (loss) income, and repayments of \$1,897,500 were completed (2024: \$1,897,500).

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	\$	1,897,500
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	\$	16,128,750

Borrowings

On January 30, 2025 the Company secured a drawdown credit facility of up to US\$20,000,000 with Vision Blue. The proceeds of the facility, which is non-dilutive to shareholders, was used to progress the Company's BAF strategy, support the continued development and growth of Molo Graphite Mine, and for general working capital purposes. The credit facility is available pursuant to up to four advances, each such advance shall be a maximum principal amount of \$5,000,000. Interest shall be payable at a rate of 15% per annum, compounding quarterly. On June 30, 2025, Vision Blue can call upon all outstanding advances, including accrued and unpaid interest, from the Company. The credit facility is secured by share pledges of the Company's investments in the subsidiaries in Madagascar and Mauritius and by guarantees from each of the subsidiaries that hold these assets.

During the twelve months ended June 30, 2025, the Company received three advances from Vision Blue, which were recognized net of transaction costs of \$425,102. As at June 30, 2025 the outstanding amount of the loan is \$15,437,022 (2024: \$Nil) and related interest of \$437,022 were recorded for the year ended June 30, 2025 (2024: \$Nil). The total outstanding amount is payable on demand as of June 30, 2025, therefore the full amount outstanding is included in current liabilities.

		Total
As at June 30, 2024	\$	—
Drawdown		14,574,898
Interest		437,022
Accretion		425,102
As at June 30, 2025	\$	15,437,022

Commercial production provision

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together "the Agreements") with Capricorn Metals (formerly Malagasy Minerals) to acquire the remaining 25% interest in the Molo Graphite Mine. 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, 2022, 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, 2023. The provision was recorded at amortized cost and capitalized as property under property, plant, equipment, and development. The obligation is expected to be settled upon the declaration of commercial production of the Molo Graphite Mine.

On June 30, 2025, the obligation was remeasured at \$536,127 (2024: \$707,850). During the year ended June 30, 2025, the Company recognized a remeasurement gain of \$231,688 (2024: gain of \$46,362), accretion of \$68,119 (2024: \$22,513), and a foreign exchange gain of \$8,154 (2024: gain of \$23,274) through the consolidated statements of operations and comprehensive loss.

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		Total
As at June 30, 2023	\$	754,973
Accretion		22,513
Remeasurement Gain		(46,362)
Effect of foreign exchange		(23,274)
As at June 30, 2024	\$	707,850
Accretion		68,119
Remeasurement Gain		(231,688)
Effect of foreign exchange		(8,154)
As at June 30, 2025	\$	536,127

Asset retirement obligations

The Company has recognized provisions for asset retirement obligations at its Molo Graphite Mine. 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, 2025, the present value of the future cash flows required for site closure and rehabilitation costs was measured at \$2,192,186 (2024: \$1,920,269) using a long-term US Dollar risk-free interest rate of 2.3%.

As of June 30, 2024, 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 \$1,920,269 using a long-term South African risk-free interest rate of 3.85%.

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CASH FLOWS FROM OPERATING, INVESTING, AND FINANCING ACTIVITIES

The following are the Company's cash flows from operating, investing and financing activities for the for the year ended June 30,2025 and 2024:

	Year ended June 30, 2025	Year ended June 30, 2024
Operating activities		
Net loss and comprehensive loss	\$ (23,256,293)	\$ (9,000,028)
<i>Adjustments for non-cash items:</i>		
Depreciation of property, plant and equipment and development (note 9)	664,838	198,322
Income tax expense	541,760	246,379
Gain on disposal of right of use (notes 11, 21)	(261,544)	(178,339)
Change in value of lease obligations (notes 11)	(171,954)	267,944
Change in value of royalty obligations (note 12)	(680,592)	8,443
Change in value of commercial production obligation	(231,688)	(46,362)
Change in impairment of VAT receivable	398,959	1,599,832
Impairment of property, plant and equipment	4,089,318	—
Write-down of inventory to net realizable value	3,687,157	—
Unrealized foreign exchange gains/loss	1,079,428	—
Finance cost	2,583,930	—
Share-based compensation expense (note 21)	(108,911)	201,055
	(11,665,592)	(6,702,754)
<i>Change in working capital balances:</i>		
Increase in amounts receivable	(451,411)	(1,533,559)
Increase in inventories	(8,116,933)	(532,457)
Increase in prepaid expenses (note 7)	458,890	(1,161,560)
Changes in Deposits	(703,001)	—
Increase/(decrease) in accounts payable and accrued liabilities	(768,462)	1,039,592
Net cash used in operating activities	(21,246,509)	(8,890,738)
Investing activities		
Increase in long-term prepayments and deposits	—	(8,774,640)
Additions to property, plant, equipment, and development (note 9)	(9,651,686)	(12,156,813)
Net cash used in investing activities	(9,651,686)	(20,931,453)
Financing activities		
Proceeds from issuance of common shares (note 17)	11,330,309	37,750,585
Common shares issuance costs (note 17)	(182,305)	(1,546,992)
Financing from Corporate	—	—
Lease obligation principal and interest payments (note 11)	(481,258)	(604,320)
Repayment of royalty financing (note 12)	(1,897,500)	(1,897,500)
Proceeds from borrowings net of transaction cost	15,000,000	—
Debt Issuance Cost	(425,102)	—
Net cash provided by financing activities	23,344,144	33,701,773
Effect of exchange rate changes on cash and cash equivalents	65,438	5,341
Net increase (decrease) in cash and cash equivalents	(7,488,612)	3,884,923
Cash and cash equivalents, beginning of period	10,770,381	6,885,458
Cash and cash equivalents, end of period	\$ 3,281,769	\$ 10,770,381

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Net cash used in operating activities increased to \$21,246,508 (2024: \$8,890,738) consisting mainly of corporate operating costs.

Net cash used in investing activities was \$9,651,686 (2024: \$20,931,453) consisting mainly of the purchase of BAF equipment, mine construction and equipment, and the capitalization of mine commissioning costs.

Net cash provided by financing activities increased to \$23,344,144 (2024: \$33,701,773) consisting of net proceeds from a public equity raise via a prospectus offering and proceeds from credit facility which are partially offset by royalty minimum repayments and lease payments.

OUTSTANDING SECURITIES

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

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

	As at June 30, 2025	As at June 30, 2024
Common shares issued and outstanding	184,911,107	155,823,007
Stock options	2,750,000	1,030,000
Restricted share units (RSUs)	800,000	910,000
Fully diluted common shares	188,461,107	157,763,007

Common Shares

As of June 30, 2025, the Company had 184,911,107 common shares issued and outstanding (June 30, 2024: 155,823,007). The Company’s common shares have no par value, and the authorized share capital is composed of an unlimited number of common shares.

The following changes occurred during the year ended June 30, 2025:

- (a) On October 11, 2024, the Company closed the first tranche of a non-brokered private placement offering, issuing 27,728,100 common shares of the Company at a price of CAD\$0.53 per share for an aggregate gross proceeds of \$10,703,661 (CAD\$14,695,893). The Company incurred issuance cost of \$82,294 for net proceeds of \$10,621,367.
- (b) On November 13, 2024 the Company closed a second and final tranche of the October 2024 announced non-brokered private placement offering, issuing an additional 1,360,000 common shares of the Company at a price of CAD\$0.53 per share for aggregate gross proceeds of \$524,990 (CAD\$720,800). The Company incurred issuance cost of \$48,410 for net proceeds of \$476,580.

In total the non-brokered private placement resulted in the issuance of 29,088,100 common shares of the Company at a price of CAD\$0.53 per share for an aggregate gross proceeds of \$11,228,651 (CAD\$15,416,693). The Company incurred issuance cost in total of \$130,704 for net proceeds of \$11,097,947.

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.
- (a) 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.
- (b) On June 28, 2024, a total of 39,500 common shares were issued as part of the conversion of RSUs.

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Stock Options

As of June 30, 2025, the Company had 2,750,000 stock options outstanding (2024: 1,030,000) with a weighted average expiration of 8 years (2024: 9.64 years) exercisable into 2,750,000 common shares (2024: 1,030,000) at a weighted average exercise price of CAD \$0.89 (2024: CAD\$0.94).

Grant Date	Vesting Date	Expiration Date	Exercise Price	As at				
				June 30, 2024	Awarded	Cancelled	Exercised	June 30, 2025
May 11, 2022	May 11, 2022	May 11, 2025	C\$2.50	30,000	—	(30,000)	—	—
May 28, 2024	November 1, 2027	May 27, 2034	C\$0.89	1,000,000	—	—	—	1,000,000
December 1, 2024	December 1, 2027	December 1, 2034	C\$0.89	—	950,000	—	—	950,000
December 1, 2024	December 1, 2025	December 1, 2032	C\$0.89	—	600,000	(400,000)	—	200,000
December 1, 2024	December 1, 2024	December 1, 2029	C\$0.89	—	750,000	(150,000)	—	600,000
Total Stock Options Issued				1,030,000	2,300,000	(580,000)	—	2,750,000

The following changes occurred during the twelve months ended June 30, 2025:

- On December 1, 2024, the Company granted 950,000 stock options exercisable at a price of C\$ 0.89, that vest after 3 years. The options were valued at \$273,427 based on a risk-free rate of 4.08%, a term of 10 years, annualized volatility of 65.27% and a closing market price on June 30, 2025 of C\$0.24 (2024: C\$0.58). These stock options will vest on December 1, 2027, and the value of the options will be expensed over the vesting period.
- On December 1, 2024, the Company granted 600,000 stock options exercisable at a price of C\$0.89, that vest after 1 year. The options were valued at \$51,835 based on a risk-free rate of 4.08%, a term of 8 years, volatility of 65.27% and a closing market price of C\$0.24 (2024: C\$0.58). These stock options will vest on December 1, 2025, and the value of the options will be expensed over the vesting period. During the 3 months ended March 31, 2025 400,000 of these options were cancelled.
- On December 1, 2024, the Company granted 750,000 stock options exercisable at a price of C\$0.89 that vest immediately. After 5 years the options will expire if not exercised. The options were valued at \$119,744 based on a risk-free rate of 4.08%, a term of 5 years, volatility of 65.27% and a market price of C\$0.24 (C\$0.58). These stock options vested on December 1, 2024, and the value of the options was expensed immediately. During the 3 months ended March 31, 2025 150,000 of these options were cancelled.

During the twelve months ended June 30, 2025, a total of 580,000 stock options were cancelled upon reaching their expiration dates.

Restricted Share Units (RSUs)

During the current year the Company, accounted for the RSUs are as cash-settled as the holder has the option to take the RSU amounts in cash or equity, subject to agreement by the Company, and based on actions taken in the year by the Company, a past practice of settling in cash has been established. An RSU obligation of \$89,707 was recorded to accrued liabilities and share-based compensation liability.

	As at June 30, 2025	As at June 30, 2024
Current portion of RSU obligations	57,228	190,649
Long-term RSU obligations	32,479	401,469
Total RSU Liability	89,707	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

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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, 2025, the Company had 800,000 RSUs outstanding (2024: 910,000) that subject to satisfying their respective vesting conditions. The RSUs have a weighted average time until vesting of 3.47 years (2024: 4.35 years).

Grant Date	Vesting Date	Expiration Date	Vesting Condition	As at June 30, 2024	Awarded	Cancelled	Settled in Cash	Settled in Shares	As at June 30, 2025
June 19, 2024	June 30, 2024	December 31, 2027	E	110,000	—	—	(110,000)	—	—
May 28, 2024	September 30, 2024	September 30, 2026	E	25,000	—	—	—	—	25,000
May 28, 2024	December 31, 2024	December 31, 2026	E	25,000	—	—	—	—	25,000
May 28, 2024	March 31, 2025	March 31, 2027	E	25,000	—	—	—	—	25,000
May 28, 2024	June 30, 2025	June 30, 2027	E	25,000	—	—	—	—	25,000
Unvested RSUs									
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
September 2, 2024	September 2, 2024	September 2, 2034	E	—	25,000	—	(25,000)	—	—
January 1, 2025	January 1, 2025	January 1, 2035	E, V	—	25,000	—	(25,000)	—	—
Totals				910,000	50,000	—	(160,000)	—	800,000

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

The following changes occurred during the year ended June 30, 2025:

- (a) On September 2, 2024, a total of 25,000 RSUs were granted and vested on September 2, 2024, which were settled in cash.
- (b) On January 1, 2025, a total of 25,000 RSUs were granted and vested on January 1, 2025, which were settled in cash.

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

- (a) 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.
- (b) 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.

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(c) On June 19, 2024, a total of 110,000 RSUs were granted and vested on June 30, 2024 and expiration date of December 31, 2027. The holders will receive a total of 110,000 common shares.

(d) 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.

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. Vision Blue is a significant shareholder of the Company and owns 47.68% 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, 2025		Year ended June 30, 2024
Payroll and benefits	\$	2,132,646	\$	1,484,581
Management consulting fees		358,627		658,927
Professional fees		—		10,251
Share-based compensation		(108,911)		334,411
Total	\$	2,382,362	\$	2,488,170

During the year ended June 30, 2025, Vision Blue participated in the private placement offering completed on October 15, 2024 by subscribing to 15,582,300 common shares for gross proceeds of \$5,992,323 (CAD\$8,258,619).

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

Related party transactions contained within		Year ended June 30, 2025		Year ended June 30, 2024
Amounts receivable	\$	21,029	\$	56,623
Accounts payable and accrued liabilities		—		503,301
Current portion of RSU Obligations		57,228		190,649
Long-term portion of RSU Obligations		32,479		401,469
Credit Facility from Vision Blue		15,437,022		—
Current portion of royalty obligations		1,897,500		2,846,250
Long term portion of royalty obligations		8,694,866		8,745,628

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

CAPITAL MANAGEMENT*Capital Management*

There were no changes in the Company's approach to capital management during the year ended June 30, 2025.

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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, 2025, the Company had cash and cash equivalents of \$3,281,768 which is insufficient to fund its working capital requirements (including current liabilities of \$23,755,676) as well as ongoing general and administrative costs and anticipated capital and operating cash outflows. Refer to note 2 basis of presentation and going concern in the accompanied financial statements for the year ended June 30, 2025.

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 ability to manage its working capital and a strong and supportive shareholder base, the Company believes it will be able to satisfy its current and long-term obligations as they become due.

		As at June 30, 2025		As at June 30, 2024
Current Assets:				
Cash and cash equivalents	\$	3,281,768	\$	10,770,381
Amounts receivable		483,449		427,977
Inventories		6,013,127		1,002,793
Prepaid expenses		862,789		1,333,944
Total Current Assets	\$	10,641,133	\$	13,535,095
Current Liabilities:				
Accounts payable and accrued liabilities		4,962,950		4,282,479
Current portion of lease obligations		1,400,976		2,405,980
Current portion of royalty obligations		1,897,500		2,846,250
Share-based compensation liability		57,228		190,649
Borrowings (note 13)		15,437,022		—
Total Current Liabilities	\$	23,755,676	\$	9,725,358
Working Capital	\$	(13,114,543)	\$	3,809,737

Contractual Obligations and Commitments

As of June 30, 2025, 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, the term loan as well as a commercial production obligation.

Off-balance sheet arrangements

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Liquidity risk

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

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

As of June 30, 2025, the Company had cash and cash equivalents of \$3,281,768 (2024: \$10,770,381) to settle current liabilities of \$23,755,676 (2024: \$9,725,358).

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 Graphite Mine.

Credit risk

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

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.

NextSource Materials Inc.**Management's Discussion and Analysis****For the years ended June 30, 2025, and 2024***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 Graphite 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 Graphite 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, 2025, the Company had the following balances in foreign currency:

			As at June 30, 2025		As at June 30, 2024
Cash and cash equivalents	CAD	\$	198,261	\$	3,599,424
Cash and cash equivalents	MGA		478,361		233,071
Cash and cash equivalents	MUR		156,404		204,126
Amounts receivable	CAD		56,176		167,886
Amounts receivable	MGA		959,440		100
Prepaid expenses	CAD		131,784		42,327
Prepaid expenses	ZAR		—		26,971
Prepaid expenses	MGA		630,656		1,023,304
Accounts payable and accrued liabilities	CAD		(972,460)		(570,544)
Accounts payable and accrued liabilities	MGA		(2,197,248)		(1,807,746)
Accounts payable and accrued liabilities	MUR		111,749		42,163
Accounts payable and accrued liabilities	GBP		49,429		(197,407)
Accounts payable and accrued liabilities	ZAR		(169,873)		—
Commercial production obligations	CAD		536,127		(707,850)
Current portion of lease obligations	MGA		1,400,976		(135,346)
Net foreign exchange exposure in USD		\$	1,369,782	\$	1,920,478

Impact of 10% increase in CAD/USD exchange rates	\$	(5,011)	\$	253,124
Impact of 10% increase in MGA/USD exchange rates		127,218		(68,662)
Impact of 10% increase in MUR/USD exchange rates		26,815		24,629
Impact of 10% increase in ZAR/USD exchange rates		(16,987)		2,697
Impact of 10% increase in GBP/USD exchange rates		4,943		(19,741)
Total	\$	136,978	\$	192,048

As at June 30, 2025, the Company estimated that a 10% decrease of the USD versus foreign exchange rates would result in a loss of \$136,978 (2024: loss of \$192,048) and a 10% increase in the USD versus foreign exchange rates would result in a gain of \$136,978 (2024: gain of \$192,048).

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RISK FACTORS

The Company manages risks inherent to its business and has procedures to identify and manage significant operational and financial risks. The reader is cautioned to carefully review the risk factors identified in our most recent AIF.

SUMMARIZED QUARTERLY DATA

	Quarter Ended			
	June 30,	March 31,	December 31,	September 30,
	2025	2025	2024	2024
	\$	\$	\$	\$
Revenues	\$ 455,485	\$ 207,763	\$ 51,589	\$ —
Exploration and evaluation expenses	19,545	3,740	4,890	3,204
General and administrative expenses	1,466,877	2,525,776	2,225,326	2,678,782
Net income (loss)	(13,744,985)	(2,614,281)	(4,093,325)	(2,803,700)
Net income (loss) and comprehensive income (loss)	(12,056,974)	(2,221,843)	(5,181,619)	(3,263,964)
Net income (loss) per share (basic and diluted)	(0.07)	(0.02)	(0.02)	(0.02)
Working capital (deficit) surplus	(13,114,544)	(6,794,011)	(215,576)	7,995,785

	Quarter Ended			
	June 30,	March 31,	December 31,	September 30,
	2024	2024	2023	2023
	\$	\$	\$	\$
Revenues	\$ —	\$ —	\$ —	\$ —
Exploration and evaluation expenses	50,267	13,494	2,220	9,960
General and administrative expenses	2,516,681	1,597,376	1,373,878	1,278,982
Net income (loss)	(3,277,808)	(1,184,253)	(1,771,396)	(2,520,191)
Net income (loss) and comprehensive income (loss)	(4,023,643)	(918,507)	(1,222,882)	(2,546,429)
Net income (loss) per share (basic and diluted)	(0.03)	(0.01)	(0.01)	(0.02)
Working capital (deficit) surplus	3,101,887	15,492,811	27,946,881	34,290,453

SUMMARIZED ANNUAL DATA

	Year ended June 30, 2025	Year ended June 30, 2024	Year ended June 30, 2023
	\$	\$	\$
Revenues	\$ 714,837	\$ —	\$ —
Mine development expenses	—	—	355,703
Exploration and evaluation expenses	\$ 31,379	75,941	43,385
General and administrative expenses	8,896,761	6,766,917	3,482,527
Net (loss) income	(23,256,293)	(8,753,648)	(11,678,687)
Net (loss) income and comprehensive (loss) income	(22,724,402)	(8,711,461)	(13,569,131)
Weighted-average common shares (basic and diluted)	176,663,906	153,124,111	117,264,004
Net (loss) income per common share (basic and diluted)	(0.13)	(0.06)	(0.10)
Dividends declared	—	—	—
Total assets	84,195,100	92,848,704	52,976,660
Total non-current liabilities	19,452,735	30,112,491	19,872,347
Total liabilities	43,208,412	40,545,699	27,774,725
Total shareholders' equity (deficit)	40,986,689	52,303,005	25,201,935

NextSource Materials Inc.**Management's Discussion and Analysis****For the years ended June 30, 2025, and 2024****MATERIAL ACCOUNTING POLICY INFORMATION AND ACCOUNTING ESTIMATES**

The Company's Consolidated Financial Statements are prepared in accordance with IFRS Accounting Standards. The Consolidated Financial Statements follow the same accounting policies and methods of their application as disclosed in Note 3 to the Company's audited consolidated financial statements for the year ended June 30, 2025.

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. The areas involving significant judgments, estimates and assumptions have been detailed in Note 4 to the Company's audited consolidated financial statements for the year ended June 30, 2025.

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

QUALIFIED PERSON

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

DISCLOSURE CONTROLS AND PROCEDURES*Disclosure controls and processes*

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

Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended June 30, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As of June 30, 2025, the end of the period covered by this MD&A, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2025, the end of the period covered by this MD&A, we maintained effective disclosure controls and procedures.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

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Remediation of Material Weaknesses

Management has taken an active approach to remediating and enhancing controls in the complex accounting and financial reporting and close process. This approach was set out in the 2024 MD&A and updated as at June 30, 2025. Management's evaluation of these controls was completed in the fourth quarter of 2025 and concluded that the implemented controls are operating effectively and the material weaknesses have been remediated. These remediation steps included:

- Designing and implementing new controls within the complex accounting and financial reporting area including contract review and account reconciliation;
- Supplementing the finance team with new hires as well as consultants where required; and
- Implementing a new ERP system that will be live as of July 1, 2025.

Based on management's testing of the financial statement close process (including complex accounting matters) cycle controls which have been in place for at least 12 months, no significant deficiencies have been identified and hence the Company has concluded that the material weaknesses have been remediated.

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of internal control over financial reporting using the criteria set forth in the *COSO Internal Control – Integrated Framework (2013)*. Based on the results of this evaluation, our management concluded that our internal control over financial reporting was effective as of June 30, 2025.

OTHER INFORMATION

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