



**NextSource Materials Inc.**

**Unaudited Condensed Interim Consolidated Financial Statements**

For the nine months ended March 31, 2024, and 2023

Expressed in US Dollars

In accordance with National Instrument 51-102, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements.

**NextSource Materials Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Financial Position**  
*(Expressed in US Dollars)*

|  | As at<br>March 31,<br>2024 | As at<br>June 30,<br>2023 |
|--|----------------------------|---------------------------|
| <b>Assets</b>                                      |                            |                           |
| <b>Current Assets:</b>                             |                            |                           |
| Cash and cash equivalents                          | \$ 18,906,740              | \$ 6,885,458              |
| Amounts receivable (notes 16 and 18)               | 487,998                    | 494,250                   |
| Inventories  | 966,890                    | 470,336                   |
| Prepaid expenses                                   | 678,050                    | 172,384                   |
| <b>Total Current Assets</b>                        | <b>21,039,678</b>          | <b>8,022,428</b>          |
| Prepayments and deposits                           | 6,734,682                  | 717,403                   |
| Property, plant, and equipment (note 5)            | 54,046,399                 | 44,236,829                |
| <b>Total Assets</b>                                | <b>\$ 81,820,759</b>       | <b>\$ 52,976,660</b>      |
| <b>Liabilities</b>                                 |                            |                           |
| <b>Current Liabilities:</b>                        |                            |                           |
| Accounts payable and accrued liabilities (note 16) | \$ 1,607,455               | \$ 3,014,594              |
| Current portion of lease obligations (note 6)      | 1,364,634                  | 1,286,561                 |
| Current portion of royalty obligations (note 7)    | 1,897,500                  | 2,846,250                 |
| Commercial production obligation (note 9)          | 677,278                    | 754,973                   |
| <b>Total Current Liabilities</b>                   | <b>5,546,867</b>           | <b>7,902,378</b>          |
| Lease obligations (note 6)                         | 10,863,386                 | 10,209,370                |
| Royalty obligations (note 7)                       | 9,317,565                  | 9,170,631                 |
| Asset retirement obligations (note 10)             | 514,888                    | 492,346                   |
| <b>Total Liabilities</b>                           | <b>26,242,706</b>          | <b>27,774,725</b>         |
| <b>Shareholders' Equity</b>                        |                            |                           |
| Share capital (note 12)                            | 205,642,959                | 169,212,945               |
| Accumulated deficit                                | (147,927,874)              | (142,452,034)             |
| Accumulated other comprehensive income             | (2,137,032)                | (1,558,976)               |
| <b>Total Shareholders' Equity</b>                  | <b>55,578,053</b>          | <b>25,201,935</b>         |
| <b>Total Liabilities and Shareholders' Equity</b>  | <b>\$ 81,820,759</b>       | <b>\$ 52,976,660</b>      |

Nature of operations (note 1)

Basis of presentation (note 2)

Commitments (note 11)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

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

|   | Nine months ended<br>March 31,<br>2024 | Nine months ended<br>March 31,<br>2023 | Three months ended<br>March 31,<br>2024 | Three months ended<br>March 31,<br>2023 |
|---|--|--|---|---|
| <b>Revenues</b>   | \$ -                                   | \$ -                                   | \$ -                                    | \$ -                                    |
| <b>Expenses and other income</b>                                  |  |  |   |   |
| Operating expenses (note 15)                                      | -                                      | 963,365                                | -                                       | 452,514                                 |
| Exploration and evaluation expenses (note 15)                     | 25,674                                 | 2,408                                  | 13,494                                  | 2,408                                   |
| General and administrative expenses (note 15)                     | 4,250,236                              | 2,357,393                              | 1,597,376                               | 1,048,154                               |
| Share-based compensation (note 14)                                | 216,000                                | 429,633                                | -                                       | 83,487                                  |
| Depreciation of property, plant, equipment (note 5)               | 806,275                                | 140,118                                | 304,037                                 | 105,199                                 |
| Lease finance costs (note 6)                                      | 708,722                                | 131,743                                | 365,959                                 | 109,186                                 |
| Foreign currency translation (gain) loss                          | (498,854)                              | 1,039,992                              | (1,182,459)                             | (671,542)                               |
| Interest income   | (1,005,854)                            | (281)                                  | (265,367)                               | (424)                                   |
| <b>Sub-total before other items</b>                               | 4,502,199                              | 5,064,371                              | 833,040                                 | 1,128,982                               |
| Change in value of lease liability                                | (178,339)                              | -                                      | -                                       | -                                       |
| Change in value of royalty obligation (note 7)                    | -                                      | 8,201                                  | -                                       | -                                       |
| Change in fair value of warrant derivative liability (note 8)     | -                                      | 2,783,360                              | -                                       | -                                       |
| Change in value of commercial production obligation (note 9)      | (46,362)                               | (49,255)                               | -                                       | -                                       |
| Impairment of VAT receivable (notes 15 and 18)                    | 1,198,104                              | 3,376,216                              | 350,975                                 | 502,515                                 |
| <b>Total Expenses</b>   | 5,475,602                              | 11,182,893                             | 1,184,015                               | 1,631,497                               |
| Royalties   | (238)                                  | -                                      | (2)                                     | -                                       |
| <b>Net (loss) income</b>  | (5,475,840)                            | (11,182,893)                           | (1,184,017)                             | (1,631,497)                             |
| <b>Other comprehensive income</b>                                 |  |  |   |   |
| Items that will be reclassified subsequently to net (loss) income |  |  |   |   |
| Translation adjustment for foreign operations                     | 788,022                                | 859,264                                | 265,510                                 | (463,467)                               |
| <b>Net (loss) income and comprehensive (loss) income</b>          | \$ (4,687,818)                         | \$ (10,323,629)                        | \$ (918,507)                            | \$ (2,094,964)                          |
| Weighted-average common shares (basic and diluted)                | 152,240,593                            | 111,476,332                            | 155,783,507                             | 125,086,900                             |
| Net (loss) income per common share (basic and diluted)            | \$ (0.04)                              | \$ (0.10)                              | \$ (0.01)                               | \$ (0.01)                               |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

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

|   | Common Shares | Share       | Accumulated   | Accumulated Other | Total (Deficit) |
|---|---------------|-------------|---------------|-------------------|-----------------|
|   | Outstanding   | Capital     | Deficit       | Comprehensive     | Equity          |
|   | #             | \$          | \$            | Income            | \$              |
| <b>Balance as at June 30, 2022</b>                                      | 101,872,614   | 127,377,519 | (130,773,347) | 331,468           | (3,064,360)     |
| Reclassification of warrant liability to equity on exercise of warrants | -             | 24,472,850  | -             | -                 | 24,472,850      |
| Shares issued on exercise of warrants                                   | 23,214,286    | 17,002,227  | -             | -                 | 17,002,227      |
| Restricted share units expensed over vesting period                     | -             | 429,632     | -             | -                 | 429,632         |
| Net loss  | -             | -           | (11,182,893)  | -                 | (11,182,893)    |
| Cumulative translation adjustment                                       | -             | -           | -             | 859,264           | 859,264         |
| <b>Balance as at March 31, 2023</b>                                     | 125,086,900   | 169,282,228 | (141,956,240) | 1,190,732         | 28,516,720      |
| Shares issued on conversion of restricted share units                   | 184,107       | -           | -             | -                 | -               |
| Restricted share units expensed over vesting period                     | -             | (69,283)    | -             | -                 | (69,283)        |
| Net loss  | -             | -           | (495,794)     | -                 | (495,794)       |
| Cumulative translation adjustment                                       | -             | -           | -             | (2,749,708)       | (2,749,708)     |
| <b>Balance as at June 30, 2023</b>                                      | 125,271,007   | 169,212,945 | (142,452,034) | (1,558,976)       | 25,201,935      |
| Shares issued from prospectus offering                                  | 30,303,500    | 37,750,585  | -             | -                 | 37,750,585      |
| Cost of issue from prospectus offering                                  | -             | (1,536,571) | -             | -                 | (1,536,571)     |
| Shares issued from severance  | 209,000       | 216,000     | -             | -                 | 216,000         |
| Net loss  | -             | -           | (5,475,840)   | -                 | (5,475,840)     |
| Cumulative translation adjustment                                       | -             | -           | -             | (578,056)         | (578,056)       |
| <b>Balance as at March 31, 2024</b>                                     | 155,783,507   | 205,642,959 | (147,927,874) | (2,137,032)       | 55,578,053      |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**NextSource Materials Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Cash Flows**  
*(Expressed in US Dollars)*

|  | Nine months ended<br>March 31,<br>2024 | Nine months ended<br>March 31,<br>2023 |
|--|--|--|
| <b>Operating activities</b>  |  |  |
| Net (loss) income  | \$ (5,475,840)                         | (11,182,893)                           |
| <i>Add (deduct) items not affecting cash:</i>                        |  |  |
| Depreciation of property, plant, equipment, and development (note 5) | 806,275                                | 140,118                                |
| Lease finance costs (note 6)   | 708,722                                | -                                      |
| Change in value of lease obligations (note 6)                        | (178,339)                              | 100,511                                |
| Change in value of royalty obligations (note 7)                      | -                                      | 8,201                                  |
| Change in fair value of warrant derivative liability (note 8)        | -                                      | 2,783,360                              |
| Change in value of provision (note 9)                                | (46,362)                               | (49,255)                               |
| Share-based compensation expense                                     | 216,000                                | 429,633                                |
|  | (3,969,544)                            | (7,770,325)                            |
| <i>Change in non-cash working capital balances:</i>                  |  |  |
| Increase in amounts receivable, prepaids and inventories             | (895,570)                              | (189,866)                              |
| Increase in accounts payable and accrued liabilities                 | (1,492,691)                            | 731,523                                |
| Decrease in provisions (note 9)                                      | (31,333)                               | (32,097)                               |
| Net cash used in operating activities                                | (6,389,138)                            | (7,260,765)                            |
| <b>Investing activities</b>  |  |  |
| Increase in long-term prepayments and deposits                       | (5,347,961)                            | (649,802)                              |
| Additions to property, plant, equipment, and development (note 5)    | (8,510,077)                            | (10,304,104)                           |
| Net cash used in investing activities                                | (13,858,038)                           | (10,953,906)                           |
| <b>Financing activities</b>  |  |  |
| Proceeds from issuance of common shares (note 12)                    | 37,750,585                             | -                                      |
| Common shares issuance costs (note 12)                               | (1,536,571)                            | -                                      |
| Proceeds from exercise of warrants                                   | -                                      | 17,002,227                             |
| Lease obligation principal payments (note 6)                         | (1,470,000)                            | (1,384,987)                            |
| Repayment of royalty financing (note 7)                              | (1,897,500)                            | -                                      |
| Proceeds from royalty financing (note 7)                             | -                                      | 3,000,000                              |
| Net cash provided by financing activities                            | 32,846,514                             | 18,617,240                             |
| Effect of exchange rate changes on cash and cash equivalents         | (578,056)                              | 859,264                                |
| <b>Net increase (decrease) in cash and cash equivalents</b>          | <b>12,021,282</b>                      | <b>1,261,833</b>                       |
| Cash and cash equivalents, beginning of period                       | 6,885,458                              | 9,793,253                              |
| <b>Cash and cash equivalents, end of period</b>                      | <b>\$ 18,906,740</b>                   | <b>\$ 11,055,086</b>                   |

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**NextSource Materials Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**For the nine months ended March 31, 2024 and 2023**  
*(Expressed in US Dollars)*

**1. Nature of operations**

NextSource Materials Inc. (the “Company” or “NextSource”) was continued under the Canada Business Corporations Act from the State of Minnesota to Canada on December 27, 2017, and has a fiscal year end of June 30. The Company’s registered head office and primary location of records is 130 King Street West, Exchange Tower, Suite 1940, Toronto, Ontario Canada, M5X 2A2. The Company’s common shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “NEXT” and the OTCQB under the symbol “NSRCF”.

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

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

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

These consolidated financial statements were approved by the Board of Directors of the Company on May 9, 2024.

**2. Basis of presentation**

***Statement of compliance with IFRS***

These condensed interim consolidated financial statements have been prepared in accordance and comply with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) using accounting principles consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements do not include all the disclosures required by IFRS for annual audited consolidated financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual audited consolidated financial statements for the year ended June 30, 2023, including the accounting policies and notes thereto, and the Annual Information Form for the year ended June 30, 2023, which were prepared in accordance with IFRS.

In the opinion of management, these condensed interim consolidated financial statements reflect all adjustments, which consist of normal and recurring adjustments necessary to present fairly the financial position as at March 31, 2024, and June 30, 2023, and the results of operations and cash flows for the nine months ended March 31, 2024, and 2023.

Operating results for the nine months ended March 31, 2024, are not necessarily indicative of the results that may be expected for the full year ending June 30, 2024.

***Basis of measurement***

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

***Basis of consolidation***

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

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

**NextSource Materials Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**For the nine months ended March 31, 2024 and 2023**

(Expressed in US Dollars)

**3. Significant accounting policies**

These condensed interim 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, 2023.

**4. Significant judgments, estimates and assumptions**

To prepare financial statements in conformity with IFRS, 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, 2023.

**5. Property, plant, and equipment**

As of March 31, 2024, the carrying value of property, plant, and equipment was \$54,046,400 (June 30, 2023: \$44,236,829). Property consists of \$2,150,615 (June 30, 2023: \$2,096,759) for the Molo Mine property. Plant consists of \$8,068,071 (June 30, 2023: \$8,161,996) for the Molo Mine processing plant. Equipment includes \$2,659,718 (June 30, 2023: \$2,539,755) for the Molo Mine equipment and vehicles. Right of use assets consist of \$465,315 (June 30, 2023: \$456,060) for the Molo Mine property lease and \$12,720,945 (\$11,963,148) for the Mauritius BAF lease. Assets under construction consist of \$21,677,394 (June 30, 2023: \$15,181,485) for the Molo Mine, \$2,812,734 (June 30, 2023: \$2,612,845) for the Molo Mine Phase 2 development costs, \$1,670,147 (June 30, 2023: \$909,647) for Mauritius BAF development costs, and \$305,510 (June 30, 2023: \$295,083) for North American BAF development costs.

|                               | Property  | Plant     | Equipment | Right of Use<br>Assets | Assets Under<br>Construction | Total        |
|-------------------------------|-----------|-----------|-----------|------------------------|------------------------------|--------------|
|                               | \$        | \$        | \$        | \$                     | \$                           | \$           |
| <b>As at June 30, 2022</b>    | 1,107,350 | -         | 215,172   | 536,649                | 16,793,223                   | 18,652,394   |
| Additions                     | 632,524   | 1,603,458 | 2,031,526 | 12,125,135             | 9,125,726                    | 25,518,369   |
| Capitalized development costs | 30,122    | -         | -         | -                      | 2,047,633                    | 2,077,755    |
| Transfers                     | 361,852   | 7,008,136 | 617,037   | -                      | (7,987,025)                  | -            |
| Depreciation                  | -         | (45,400)  | (155,133) | (179,753)              | -                            | (380,286)    |
| Impact of foreign exchange    | (35,089)  | (404,201) | (148,795) | (62,822)               | (980,496)                    | (1,631,403)  |
| <b>As at June 30, 2023</b>    | 2,096,759 | 8,161,993 | 2,559,807 | 12,419,209             | 18,999,061                   | 44,236,829   |
| Additions                     | 30,136    | (36,037)  | 292,553   | 12,890,911             | 2,931,124                    | 16,108,687   |
| Capitalized development costs | -         | -         | -         | -                      | 5,591,096                    | 5,591,096    |
| Depreciation                  | -         | (273,669) | (273,247) | (259,359)              | -                            | (806,275)    |
| Disposals                     | -         | -         | -         | (11,880,827)           | -                            | (11,880,827) |
| Impact of foreign exchange    | 23,720    | 215,784   | 93,875    | 16,326                 | 447,185                      | 796,890      |
| <b>As at March 31, 2024</b>   | 2,150,615 | 8,068,071 | 2,672,988 | 13,186,260             | 27,968,466                   | 54,046,400   |
| Cost                          | 2,096,759 | 8,207,393 | 2,744,548 | 12,617,040             | 18,999,061                   | 44,664,801   |
| Accumulated depreciation      | -         | (45,400)  | (184,741) | (197,831)              | -                            | (427,972)    |
| <b>As at June 30, 2023</b>    | 2,096,759 | 8,161,993 | 2,559,807 | 12,419,209             | 18,999,061                   | 44,236,829   |
| Cost                          | 2,155,279 | 8,394,554 | 3,140,805 | 13,400,669             | 27,968,466                   | 55,059,773   |
| Accumulated depreciation      | (4,664)   | (326,483) | (467,817) | (214,409)              | -                            | (1,013,373)  |
| <b>As at March 31, 2024</b>   | 2,150,615 | 8,068,071 | 2,672,988 | 13,186,260             | 27,968,466                   | 54,046,400   |

During the nine months ended March 31, 2024, the Company capitalized additions of \$16,108,687 (year ended June 30, 2023: \$25,518,369), development costs of \$5,591,096 (year ended June 30, 2023: \$2,077,755), recognized depreciation of \$806,275 (year ended June 30, 2023: \$380,286), recognized disposals of \$11,880,827 and recognized the impact of foreign exchange movements on carrying costs of \$796,890 (year ended June 30, 2023: \$1,631,403). Additions include \$1,095,684 of accretion related to the royalty obligation.

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**NextSource Materials Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**For the nine months ended March 31, 2024 and 2023**

(Expressed in US Dollars)

**5. Property, plant, equipment, and development (continued)**

*Molo Graphite Mine Development*

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

On March 23, 2023, the Company announced initiation of commissioning activities. On June 22, 2023, the Company announced production of the first tonne of graphite concentrate as part of the commissioning process. As of March 31, 2024, the Molo Mine was still undergoing commissioning and as a result, the Molo Mine processing plant is still classified as an asset under construction and commissioning costs are being capitalized until commercial production is achieved.

The Molo Mine is subject to the following royalties:

- 3% of the gross sales revenue royalty is owned by Vision Blue Resources Limited (see also *Note 7 Royalty Obligation*).
- 1.5% net smelter royalty (“NSR”) owned by Capricorn Metals (formerly known as Malagasy Minerals) (“Capricorn”). Prior to becoming a Director of the Company, Brett Whalen purchased an option to acquire the 1.5% NSR from Capricorn upon the mine achieving commercial production in return for a further payment to Capricorn.
- 2% gross revenue royalty payable to the Government of Madagascar.

*Mauritius BAF Development Project*

The Company has an exclusive technical partnership with a leading value-added graphite processor to utilize its proprietary graphite processing technology outside of the People's Republic of China and with a graphite trader for the international sale of the products. The technology partner is a well-established supplier of graphite into the supply chains of major EV automotive companies including Tesla and Toyota. The technology partner will receive a 2% technology licensing royalty for the design and development of the BAF process flowsheets, sourcing of all necessary equipment, and provision of all necessary training and operational expertise. The sales partner will receive a 3% sales commission for leveraging its international relationships and acting as a sales, marketing, and trading agent of our BAF products. BAF research and development costs are being capitalized.

On February 28, 2023, the Company signed an industrial lease for the Mauritius BAF at an industrial zoned site in Mauritius and recognized a right-of-use asset and lease obligation. On September 28, 2023, the Company announced the termination of the lease and derecognized the right of use asset. On November 24, 2023, the Company signed a new industrial lease for the Mauritius BAF at a site in the port of Port Louis and recognized a right-of-use asset and lease obligation.

*Exploration and Evaluation Expenditures*

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

As of March 31, 2024, the Company had not capitalized any acquisition, exploration, and evaluation costs related to its exploration and evaluation projects.

**6. Right-of-Use lease obligations**

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

- On July 1, 2019, the Company recognized a ROU asset and lease obligation of \$24,164 using an incremental borrowing rate of 10.43% for the exploration camp located in Fotadrevo, Madagascar. The exploration camp lease was terminated on June 30, 2023, and was derecognized.
- On March 31, 2022, the Company recognized a ROU asset and lease obligation of \$389,049 using an incremental borrowing rate of 13.8% for the emphyteutic property lease of the Molo mine, which has an initial term of 50 years. The lease is payable annually in Ariary to the Government of Madagascar and as of March 31, 2024, the lease had a remaining term of 48.0 years.
- On February 28, 2023, the Company signed a lease for the Mauritius BAF and recognized a ROU asset and lease obligation of \$12,125,134 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 asset and liability 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 \$12,890,911 consisting of a lease obligation of \$12,870,911 and capitalized legal costs of \$20,000. The lease obligation was calculated using an incremental borrowing rate of 11.5% based on an initial term of 20 years plus a renewal of 5 years. The lease payments are payable annually in advance.



**NextSource Materials Inc.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**For the nine months ended March 31, 2024 and 2023**  
*(Expressed in US Dollars)*

**6. Right-of-Use lease obligations (continued)**

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

|                                  | <b>Exploration<br/>Camp<br/>\$</b> | <b>Cancelled<br/>BAF Lease<br/>\$</b> | <b>Port-Louis<br/>BAF Lease<br/>\$</b> | <b>Molo Mine<br/>Property<br/>\$</b> | <b>Total<br/>Obligations<br/>\$</b> |
|----------------------------------|------------------------------------|---------------------------------------|--|--------------------------------------|-------------------------------------|
| <b>As at June 30, 2022</b>       | 5,654                              | -                                     | -                                      | 344,164                              | 349,818                             |
| Initial recognition              | -                                  | 12,125,135                            | -                                      | -                                    | 12,125,135                          |
| Finance costs                    | 289                                | 398,574                               | -                                      | 43,642                               | 442,505                             |
| Lease payments                   | (5,685)                            | (1,338,637)                           | -                                      | (43,308)                             | (1,387,630)                         |
| Foreign exchange adjustments     | (258)                              | -                                     | -                                      | (33,639)                             | (33,897)                            |
| <b>As at June 30, 2023</b>       | -                                  | 11,185,072                            | -                                      | 310,859                              | 11,495,931                          |
| Initial recognition              | -                                  | -                                     | 12,870,911                             | -                                    | 12,870,911                          |
| Finance costs                    | -                                  | 204,776                               | 472,116                                | 31,830                               | 708,722                             |
| Lease payments                   | -                                  | -                                     | (1,470,000)                            | -                                    | (1,470,000)                         |
| Remeasurement of lease liability | -                                  | (178,339)                             | -                                      | -                                    | (178,339)                           |
| Disposals                        | -                                  | (11,211,509)                          | -                                      | -                                    | (11,211,509)                        |
| Foreign exchange adjustments     | -                                  | -                                     | -                                      | 12,304                               | 12,304                              |
| <b>As at March 31, 2024</b>      | -                                  | -                                     | 11,873,027                             | 354,993                              | 12,228,020                          |

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

|                                      | <b>Exploration<br/>Camp<br/>\$</b> | <b>Cancelled<br/>BAF Lease<br/>\$</b> | <b>Port-Louis<br/>BAF Lease<br/>\$</b> | <b>Molo Mine<br/>Property<br/>\$</b> | <b>Total<br/>Obligations<br/>\$</b> |
|--------------------------------------|------------------------------------|---------------------------------------|--|--------------------------------------|-------------------------------------|
| Current portion of lease obligations | -                                  | -                                     | 1,321,505                              | 43,129                               | 1,364,634                           |
| Long-term lease obligations          | -                                  | -                                     | 10,551,522                             | 311,864                              | 10,863,386                          |
| <b>As at March 31, 2024</b>          | -                                  | -                                     | 11,873,027                             | 354,993                              | 12,228,020                          |

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

|   | <b>Exploration<br/>Camp<br/>\$</b> | <b>Cancelled<br/>BAF Lease<br/>\$</b> | <b>Port-Louis<br/>BAF Lease<br/>\$</b> | <b>Molo Mine<br/>Property<br/>\$</b> | <b>Total<br/>Obligations<br/>\$</b> |
|---|------------------------------------|---------------------------------------|--|--------------------------------------|-------------------------------------|
| Within 12 months                            | -                                  | -                                     | 1,470,000                              | 41,576                               | 1,511,576                           |
| Between 13 and 24 months                    | -                                  | -                                     | 1,470,000                              | 41,576                               | 1,511,576                           |
| Between 25 and 36 months                    | -                                  | -                                     | 1,470,000                              | 41,576                               | 1,511,576                           |
| Between 37 and 48 months                    | -                                  | -                                     | 1,470,000                              | 41,576                               | 1,511,576                           |
| Between 49 and 60 months                    | -                                  | -                                     | 1,470,000                              | 41,576                               | 1,511,576                           |
| Over 60 months                              | -                                  | -                                     | 29,400,000                             | 1,787,783                            | 31,187,783                          |
| <b>Total undiscounted lease obligations</b> | -                                  | -                                     | 36,750,000                             | 1,995,664                            | 38,745,664                          |

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 nine months ended March 31, 2024, the Company recognized short-term and low value rent expenses of \$79,310 (2022: \$nil) in the consolidated statements of operations and comprehensive (loss) income for office leases in Toronto and Madagascar.

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**7. Royalty obligation**

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

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

On June 30, 2021, the Company recognized a royalty obligation at the fair value of \$6.5 million, which was equal to the present value using an effective discount rate of 13.8% of (1) the deferred \$3.0 million royalty funding, (2) the minimum royalty payments, (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 March 31, 2024, the obligation was remeasured at \$11,215,065 (June 30, 2023: \$12,016,881).

|                                     | <b>Total</b> |
|-------------------------------------|--------------|
|                                     | <b>\$</b>    |
| <b>As at June 30, 2022</b>          | 7,731,196    |
| Accretion of royalty obligation     | 1,373,075    |
| Royalty proceeds                    | 3,000,000    |
| Royalty minimum repayments          | -            |
| Remeasurement of royalty obligation | (87,390)     |
| <b>As at June 30, 2023</b>          | 12,016,881   |
| Accretion of royalty obligation     | 1,095,684    |
| Royalty minimum repayments          | (1,897,500)  |
| Remeasurement of royalty obligation | -            |
| <b>As at March 31, 2024</b>         | 11,215,065   |

During the nine months ended March 31, 2024, the obligation increased due accretion of \$1,095,684 (2023: \$987,881), a remeasurement gain of \$nil (2022: loss of \$8,201) recognized through the condensed interim consolidated statements of operations and comprehensive (loss) income, and repayments of \$1,897,500 were completed.

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

|   | <b>Total</b>      |
|---|-------------------|
|   | <b>\$</b>         |
| 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                              | 7,590,000         |
| <b>Total undiscounted lease obligations</b> | <b>17,077,500</b> |

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**8. Warrant Derivative Liability**

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

|  | <b>Warrant Liability</b> |
|--|--------------------------|
|  | <b>\$</b>                |
| <b>As at June 30, 2022</b>                         | 21,689,490               |
| Reclassification to equity on exercise of warrants | (24,472,850)             |
| Change in fair value through profit and loss       | 2,783,360                |
| <b>As at June 30, 2023 and March 31, 2024</b>      | -                        |

**9. Commercial production obligation**

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

During the nine months ended March 31, 2024, the obligation increased through accretion of \$nil (2023: \$47,318). On March 31, 2024, the obligation was remeasured at \$677,278 (June 30, 2023: \$754,973) resulting in remeasurement gain of \$46,362 (June 30, 2023: \$nil) and a foreign exchange gain of \$31,333 (June 30, 2023: \$nil) that were recognized through the consolidated statements of operations and comprehensive (loss) income.

**10. Asset retirement obligations**

The Company has recognized provisions for asset retirement obligations at its Molo Mine property. Although the ultimate amounts of the future site reclamation provisions are uncertain, the provision of these obligations is based on information currently available, including closure plans and applicable regulations. The amount and timing of closure plans will vary depending on several factors including changes in the mining plan. Significant closure activities will include demolition of facilities, land rehabilitation, water treatment, monitoring, and other costs.

As of March 31, 2024, the present value of future cash flows required to settle the Company's closure and decommissioning costs was remeasured at \$514,888 (June 30, 2023: \$492,346)

As of March 31, 2024, the undiscounted estimated cash flows required to settle the Company's estimated future closure and decommissioning costs was estimated at \$1,404,798 (June 30, 2023: \$1,404,798). The obligation is expected to be settled at the end of the 30-year life of mine in 2053. The estimated future cash flows were converted into local currency and inflated using an expected inflation rate of 8.15%. The provision for closure and decommissioning costs was then calculated using a discount rate of 12%.

**11. Commitments**

The Company has contractual commitments under an energy services agreement ("ESA") with CrossBoundary Energy Madagascar ("CBE") for the hybrid solar thermal power plant owned and operated by CBE that is supplying electricity to the Molo Mine. The ESA has a term of 20 years ending in 2043 and requires the Company to purchase a minimum energy output of 11,200,000 KWh per annum at a tariff of \$0.0837 per KWh equivalent to \$937,440 per annum.

The Company is also subject to contractual commitments related to royalties as described in notes 5 and 7.

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**12. Share capital**

As of March 31, 2024, the Company had 155,783,507 common shares issued and outstanding (June 30, 2023: 125,271,007). The Company's common shares have no par value, and the authorized share capital is composed of an unlimited number of common shares.

The following changes occurred during the nine months ended March 31, 2024:

- 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 \$36,266,783.
- On November 28, 2023, the Company issued 209,000 common shares to an officer as part of their severance with a fair value of \$216,000.

**13. Stock options**

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

As of March 31, 2024, the Company had 30,000 stock options outstanding (June 30, 2023: 1,710,000) with a weighted average expiration of 1.1 years (June 30, 2023: 0.75) exercisable into 30,000 common shares (June 30, 2023: 1,710,000) at a weighted average exercise price of CAD\$2.50 (June 30, 2023: CAD\$2.70). All outstanding stock options vested on their respective grant dates.

| Grant Date     | Expiration Date | Exercise Price | As at         |         |             | Exercised | As at March 31, 2024 |
|----------------|-----------------|----------------|---------------|---------|-------------|-----------|----------------------|
|                |                 |                | June 30, 2023 | Awarded | Cancelled   |           |                      |
| March 26, 2019 | March 26, 2024  | CAD \$1.00     | 580,000       | -       | (580,000)   | -         | -                    |
| March 19, 2021 | March 19, 2024  | CAD \$3.60     | 1,100,000     | -       | (1,100,000) | -         | -                    |
| May 11, 2022   | May 11, 2025    | CAD \$2.50     | 30,000        | -       | -           | -         | 30,000               |
| <b>Totals</b>  |                 |                | 1,710,000     | -       | (1,680,000) | -         | 30,000               |

During the nine months ended March 31, 2024, a total of 1,680,000 stock options were cancelled upon reaching their expiration dates.

**14. Restricted share units (RSUs)**

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

As of March 31, 2024, the Company had 160,000 RSUs outstanding (June 30, 2023: 160,000) that subject to satisfying their respective vesting conditions entitle the holders to receive 160,000 common shares (June 30, 2023: 160,000) for no additional consideration. The RSUs have a weighted average time until vesting of nil years (June 30, 2023: nil) and weighted average time until expiration of 0.25 years (June 30, 2023: 1.00).

| Grant Date         | Vesting Measurement Date | Expiration Date | As at         |         |                 | Settled in Shares | As at March 31, 2024 |
|--------------------|--------------------------|-----------------|---------------|---------|-----------------|-------------------|----------------------|
|                    |                          |                 | June 30, 2023 | Awarded | Settled in Cash |                   |                      |
| <i>Vested RSUs</i> |                          |                 |               |         |                 |                   |                      |
| July 28, 2022      | June 30, 2023            | June 30, 2024   | 160,000       | -       | -               | -                 | 160,000              |
| <b>Totals</b>      |                          |                 | 160,000       | -       | -               | -                 | 160,000              |

There were no changes during the nine months ended March 31, 2024.

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**15. Segment reporting**

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

The Company's reportable segments for purposes of assessing performance are presented as follows:

|   | Nine months ended March 31, 2024 |           |                | Nine months ended March 31, 2023 |           |                 |
|---|----------------------------------|-----------|----------------|----------------------------------|-----------|-----------------|
|   | Mine                             | BAF       | Total          | Mine                             | BAF       | Total           |
| <b>Revenues</b>   | \$ -                             | \$ -      | \$ -           | \$ -                             | \$ -      | \$ -            |
| <b>Expenses</b>   |                                  |           |                |                                  |           |                 |
| Operating expenses  | -                                | -         | -              | 963,365                          | -         | 963,365         |
| Exploration and evaluation expenses                               | 25,674                           | -         | 25,674         | 2,408                            | -         | 2,408           |
| Depreciation  | 549,641                          | 252,287   | 801,928        | 93,974                           | 41,160    | 135,134         |
| Lease finance costs   | 31,830                           | 676,892   | 708,722        | 33,452                           | 98,291    | 131,743         |
| Impairment of VAT receivable                                      | 1,198,104                        | -         | 1,198,104      | 3,376,216                        | -         | 3,376,216       |
| Royalties   | 238                              | -         | 238            | -                                | -         | -               |
| <b>Segment gross profit</b>                                       | (1,805,487)                      | (929,179) | (2,734,666)    | (4,469,415)                      | (139,451) | (4,608,866)     |
| <b>Other Operating Expenses</b>                                   |                                  |           |                |                                  |           |                 |
| General and administrative expenses                               |                                  |           | 4,250,236      |                                  |           | 2,357,393       |
| Share-based compensation  |                                  |           | 216,000        |                                  |           | 429,633         |
| Depreciation  |                                  |           | 4,347          |                                  |           | 4,984           |
| Foreign currency translation loss                                 |                                  |           | (498,854)      |                                  |           | 1,039,992       |
| Interest income   |                                  |           | (1,005,854)    |                                  |           | (281)           |
| <b>Loss before other items</b>                                    |                                  |           | (5,700,541)    |                                  |           | (8,440,587)     |
| Change in value of lease liability                                |                                  |           | (178,339)      |                                  |           | -               |
| Change in value of royalty obligation                             |                                  |           | -              |                                  |           | 8,201           |
| Change in fair value of warrant derivative financial liability    |                                  |           | -              |                                  |           | 2,783,360       |
| Change in value of commercial production obligation               |                                  |           | (46,362)       |                                  |           | (49,255)        |
| <b>Net (loss) income</b>  |                                  |           | (5,475,840)    |                                  |           | (11,182,893)    |
| <b>Other comprehensive income</b>                                 |                                  |           |                |                                  |           |                 |
| Items that will be reclassified subsequently to net income (loss) |                                  |           |                |                                  |           |                 |
| Translation adjustment for foreign operations                     |                                  |           | 788,022        |                                  |           | 859,264         |
| <b>Net (loss) income and comprehensive (loss) income</b>          |                                  |           | \$ (4,687,818) |                                  |           | \$ (10,323,629) |

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**15. Segment reporting (continued)**

|   | Three months ended March 31, 2024 |           |              | Three months ended March 31, 2023 |           |                |
|---|-----------------------------------|-----------|--------------|-----------------------------------|-----------|----------------|
|   | Mine                              | BAF       | Total        | Mine                              | BAF       | Total          |
| <b>Revenues</b>   | \$ -                              | \$ -      | \$ -         | \$ -                              | \$ -      | \$ -           |
| <b>Expenses</b>   |                                   |           |              |                                   |           |                |
| Operating expenses  | -                                 | -         | -            | 452,514                           | -         | 452,514        |
| Exploration and evaluation expenses                               | 13,494                            | -         | 13,494       | 2,408                             | -         | 2,408          |
| Depreciation  | 171,003                           | 131,461   | 302,464      | 64,087                            | 41,160    | 105,247        |
| Lease finance costs   | 11,129                            | 354,830   | 365,959      | 10,895                            | 98,291    | 109,186        |
| Impairment of VAT receivable                                      | 350,975                           | -         | 350,975      | 502,515                           | -         | 502,515        |
| Royalties   | 2                                 | -         | 2            | -                                 | -         | -              |
| <b>Segment gross profit</b>                                       | (546,603)                         | (486,291) | (1,032,894)  | (1,032,419)                       | (139,451) | (1,171,870)    |
| <b>Other Operating Expenses</b>                                   |                                   |           |              |                                   |           |                |
| General and administrative expenses                               |                                   |           | 1,597,376    |                                   |           | 1,048,154      |
| Share-based compensation  |                                   |           | -            |                                   |           | 83,487         |
| Depreciation  |                                   |           | 1,573        |                                   |           | (48)           |
| Foreign currency translation (gain) loss                          |                                   |           | (1,182,459)  |                                   |           | (671,542)      |
| Interest  |                                   |           | (265,367)    |                                   |           | (424)          |
| <b>Loss before other items</b>                                    |                                   |           | (1,184,017)  |                                   |           | (1,631,497)    |
| Gain on disposal of asset   |                                   |           | -            |                                   |           | -              |
| Change in value of royalty obligation                             |                                   |           | -            |                                   |           | -              |
| Change in fair value of warrant derivative financial liability    |                                   |           | -            |                                   |           | -              |
| Change in value of commercial production obligation               |                                   |           | -            |                                   |           | -              |
| <b>(Loss) income before income taxes</b>                          |                                   |           | (1,184,017)  |                                   |           | (1,631,497)    |
| Income tax expense  |                                   |           | -            |                                   |           | -              |
| <b>Net (loss) income</b>  |                                   |           | (1,184,017)  |                                   |           | (1,631,497)    |
| <b>Other comprehensive income</b>                                 |                                   |           |              |                                   |           |                |
| Items that will be reclassified subsequently to net income (loss) |                                   |           |              |                                   |           |                |
| Translation adjustment for foreign operations                     |                                   |           | 265,510      |                                   |           | (463,467)      |
| <b>Net (loss) income and comprehensive (loss) income</b>          |                                   |           | \$ (918,507) |                                   |           | \$ (2,094,964) |

The information by geographic region is as follows:

|  | Canada            | Mauritius         | Madagascar        | Total             |
|--|-------------------|-------------------|-------------------|-------------------|
|  | \$                | \$                | \$                | \$                |
| Cash and cash equivalents                | 18,391,630        | 31,238            | 483,873           | 18,906,740        |
| Amounts receivable                       | 254,890           | 221,807           | 11,301            | 487,998           |
| Inventories                              | -                 | -                 | 966,890           | 966,890           |
| Prepaid expenses                         | 252,051           | -                 | 425,999           | 678,050           |
| Prepayments and deposits                 | -                 | 6,195,117         | 539,565           | 6,734,682         |
| Property, plant, and equipment           | 1,250,496         | 13,704,072        | 39,091,831        | 54,046,399        |
| <b>Total assets as at March 31, 2024</b> | <b>20,149,067</b> | <b>20,704,072</b> | <b>41,519,458</b> | <b>81,820,759</b> |

Property, plant, equipment and development assets in Canada are for the capitalization of and artificial graphite technology and BAF technology expenditures that are not specific to Mauritius. Prepayments and deposits and property, plant, equipment assets in Mauritius relate to Mauritius BAF development expenditures. Property, plant, equipment and development assets in Madagascar relate to Molo Mine development expenditures.

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**15. Segment reporting (continued)**

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

**16. 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 and key management. 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<br>contained within | Nine months ended<br>March 31,<br>2024 | Nine months ended<br>March 31,<br>2023 | Three months ended<br>March 31,<br>2024 | Three months ended<br>March 31,<br>2023 |
|--|--|--|---|---|
| Payroll and benefits                           | \$ 946,146                             | \$ 553,475                             | \$ 324,478                              | \$ 228,886                              |
| Management consulting fees                     | 547,509                                | 272,815                                | \$ 96,657                               | \$ 90,868                               |
| Professional fees                              | 16,191                                 | 15,429                                 | \$ 9,518                                | \$ 5,136                                |
| Share-based compensation                       | 216,000                                | 429,633                                | \$ -                                    | \$ 83,487                               |
| Total  | \$ 1,725,846                           | \$ 1,271,352                           | \$ 430,653                              | \$ 408,377                              |

Payroll and benefits are for management compensation for Craig Scherba (CEO), Brent Nykoliation (SVP), Danniell Stokes (VP), and Markus Reichardt (VP), and for remuneration of Directors for Brett Whalen (Director), Chris Kruba (Director), Ian Pearce (Director) and Sir Mick Davis (Chair of the Board). Consulting fees are for management compensation for companies controlled by Marc Johnson (CFO), Johnny Vellozo (interim COO), and Robin Borley (former COO). Professional fees are for accounting services performed by a company controlled by Marc Johnson (CFO). Share-based compensation is for the vesting of stock options and RSUs expenditures.

During the nine months ended March 31, 2024, Vision Blue participated in the prospectus offering financing completed on August 1, 2023 by subscribing to 14,151,500 common shares for gross proceeds of \$17,629,523 (CAD\$23,349,975).

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

| Related party transactions<br>contained within | As at<br>March 31,<br>2024 | As at<br>June 30,<br>2023 |
|--|----------------------------|---------------------------|
| Amounts receivable                             | \$ 141,900                 | \$ 185,478                |
| Accounts payable and accrued liabilities       | 279,155                    | 63,750                    |
| Current portion of royalty obligations         | 1,897,500                  | 2,846,250                 |
| Royalty obligations                            | 9,317,565                  | 9,170,631                 |

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

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**NextSource Materials Inc.**  
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**17. Capital management**

There were no changes in the Company's approach to capital management during the nine months ended March 31, 2024.

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

*Capital Resource Analysis*

As of March 31, 2024, the Company had working capital of \$15,492,811 (June 30, 2023: \$120,050). 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.

As of March 31, 2024, the Company had cash and cash equivalents of \$18,906,740 (June 30, 2023: \$6,885,458). Cash and cash equivalents are expected to be sufficient to settle current liabilities as they become due, fund commissioning costs for the Molo Mine until commercial production can be achieved, and fund planned Mauritius BAF construction costs. The Company will require additional funding to cover general and administrative costs, general working capital and development costs related to any future expansion of the Molo Mine and construction of additional BAF plants.

The Company may choose to raise additional capital by issuing new equity, obtaining working capital, construction financing, or secured loans, or arranging other financing arrangements. While the Company has been successful at obtaining additional financing in the past, there can be no assurance it will be able to do so in the future or on terms that are acceptable to the Company.

**18. Financial Instruments and Risk Management**

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

*Liquidity risk*

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

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

As of March 31, 2024, the Company had cash and cash equivalents of \$18,906,740 (June 30, 2023: \$6,885,458) to settle current liabilities of \$5,546,867 (June 30, 2023: \$7,902,378). As a result, the Company was not exposed to liquidity risk on March 31, 2024.

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 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. The Company will require additional funding to cover general and administrative costs, general working capital and development costs related to any future expansion of the Molo Mine and construction of additional BAF plants.

*Credit risk*

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

During the nine months ended March 31, 2024, due to considerable uncertainty as to the timing and recoverability of refundable Madagascar value added tax (VAT) denominated in local currency and recognized in amounts receivable, the Company recognized an impairment of VAT receivable of \$1,198,104 (2023: \$3,376,216). As of March 31, 2024, amounts receivable are presented net of an impairment of VAT receivable of \$5,333,398 (June 30, 2023, \$3,953,376).



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**18. Financial instruments and risk management (continued)**

*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.

*Commodity price risks*

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

*Currency risk*

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

As at March 31, 2024, the Company had the following balances in foreign currency:

|  |     | <b>As at<br/>March 31,<br/>2024</b> | <b>As at<br/>June 30,<br/>2023</b> |
|--|-----|-------------------------------------|------------------------------------|
| Cash and cash equivalents                        | CAD | \$ 4,090,434                        | \$ 2,119,393                       |
| Cash and cash equivalents                        | MGA | 138,206                             | 104,293                            |
| Cash and cash equivalents                        | MUR | 22,453                              | 38,448                             |
| Amounts receivable                               | CAD | 176,543                             | 246,616                            |
| Amounts receivable                               | MGA | 11,390                              | -                                  |
| Prepaid expenses                                 | CAD | 7,533                               | 46,667                             |
| Prepaid expenses                                 | MUR | (11)                                | -                                  |
| Prepaid expenses                                 | ZAR | -                                   | 8,170                              |
| Prepaid expenses                                 | MGA | 507,532                             | 4,184                              |
| Accounts payable and accrued liabilities         | CAD | (202,617)                           | (306,903)                          |
| Accounts payable and accrued liabilities         | MGA | (953,065)                           | (1,875,766)                        |
| Accounts payable and accrued liabilities         | MUR | (17,582)                            | (92,542)                           |
| Accounts payable and accrued liabilities         | GBP | -                                   | 16,469                             |
| Accounts payable and accrued liabilities         | ZAR | -                                   | (836)                              |
| Commercial production obligations                | CAD | (677,278)                           | (754,973)                          |
| Current portion of lease obligations             | MGA | (43,129)                            | (41,628)                           |
| Net foreign exchange exposure in USD             |     | \$ 3,060,411                        | \$ (488,407)                       |
| Impact of 10% increase in CAD/USD exchange rates |     | \$ 339,462                          | \$ 135,080                         |
| Impact of 10% increase in MGA/USD exchange rates |     | (33,907)                            | (180,892)                          |
| Impact of 10% increase in MUR/USD exchange rates |     | 486                                 | (5,409)                            |
| Impact of 10% increase in ZAR/USD exchange rates |     | -                                   | 733                                |
| Impact of 10% increase in GBP/USD exchange rates |     | -                                   | 1,647                              |
| Total  |     | \$ 306,041                          | \$ (48,841)                        |

As at March 31, 2024, the Company estimated that a 10% decrease of the USD versus foreign exchange rates would result in a gain of \$306,041 (June 30, 2023: loss of \$48,841) and a 10% increase in the USD versus foreign exchange rates would result in a loss of \$306,047 (June 30, 2023: gain of \$48,841).