



NextSource Materials Inc.

Unaudited Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 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 Statement of Financial Position
(Expressed in US Dollars)

	As at September 30, 2024	As at June 30, 2024
Assets		
Current Assets:		
Cash and cash equivalents	3,632,957	10,770,381
Amounts receivable (notes 18 and 19)	240,144	427,977
Inventories (note 5)	1,889,011	1,002,793
Prepaid expenses (note 6)	1,207,027	1,333,944
Total Current Assets	6,969,139	13,535,095
Prepayments and deposits	883,242	9,492,982
Property, plant, equipment, and development (note 7)	84,834,951	69,820,625
Total Assets	92,687,332	92,848,702
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities (note 8)	7,425,927	4,473,128
Current portion of lease obligations (note 9)	3,238,761	2,405,980
Current portion of royalty obligations (note 10)	3,583,595	2,846,250
Commercial production obligation (note 12)	716,641	707,850
Total Current Liabilities	14,964,924	10,433,208
Share-based compensation liability (note 17)	178,709	401,469
Withholding tax provision	320,916	247,195
Lease obligations (note 9)	18,496,872	18,797,929
Royalty obligations (note 10)	7,547,145	8,745,628
Asset retirement obligations (note 13)	2,081,586	1,920,269
Total Liabilities	43,590,152	40,545,698
Shareholders' Equity		
Share capital (note 15)	205,083,616	205,025,476
Accumulated deficit	(154,255,762)	(151,452,062)
Accumulated other comprehensive income	(1,730,674)	(1,270,410)
Total Shareholders' Equity	49,097,180	52,303,004
Total Liabilities and Shareholders' Equity	92,687,332	92,848,702

Nature of operations (note 1)

Basis of presentation and going concern (note 2)

Commitments (note 14)

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***(Expressed in US Dollars, except share and per share amounts)*

	Three months ended September 30, 2024	Three months ended September 30, 2023
Expenses and other income		
Exploration and evaluation expenses (note 18)	3,204	9,960
General and administrative expenses (note 18)	2,678,782	1,278,982
Share-based compensation and RSU expense (note 18)	(95,780)	-
Depreciation of property, plant, equipment, and development (note 7)	136,700	328,060
Lease finance costs (note 9)	343,109	318,778
Foreign currency translation (gain) loss	128,609	786,029
Interest income	(53,769)	(338,515)
Change in value of lease liability	25,761	(294,074)
Change in value of royalty obligation (note 10)	(824,066)	-
Change in fair value of warrant derivative financial liability (note 11)	-	-
Change in value of commercial production obligation (note 12)	(23,534)	(46,362)
Impairment of VAT receivable (note 18)	407,070	477,333
Total Expenses	2,726,086	2,520,191
Loss before income taxes	(2,726,086)	(2,520,191)
Current income tax expense	(77,614)	-
Net loss	(2,803,700)	(2,520,191)
Other comprehensive income		
Items that will be reclassified subsequently to net loss		
Translation adjustment for foreign operations	(460,264)	(26,238)
Net loss and comprehensive loss	\$ (3,263,964)	\$ (2,546,429)
Weighted-average common shares (basic and diluted)	155,823,007	145,473,340
Net loss income per common share (basic and diluted)	\$ (0.02)	\$ (0.02)

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

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

	Common Shares Outstanding	Share Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total (Deficit) Equity
	\$	\$	\$	\$	\$
Balance as at June 30, 2023	125,271,007	169,212,945	(142,452,034)	(1,558,976)	25,201,935
Restricted share units expensed over vesting period	30,303,500	37,750,585	—	—	37,750,585
Cost of issue from prospectus offering	—	(1,546,992)	—	—	(1,546,992)
Net loss	—	—	(2,520,191)	—	(2,520,191)
Cumulative translation adjustment	—	—	—	(26,238)	(26,238)
Balance as at September 30, 2023	155,574,507	205,416,538	(144,972,225)	(1,585,214)	58,859,099
Shares issued for severance	209,000	216,000	—	—	216,000
Recognition of RSU liability	—	(592,118)	—	—	(592,118)
Shares issued on conversion of restricted share units	39,500	—	—	—	—
Stock options granted under long-term incentive plan	—	21,486	—	—	21,486
Restricted share units expensed over vesting period	—	(36,430)	—	—	(36,430)
Net loss	—	—	(6,479,837)	—	(6,479,837)
Cumulative translation adjustment	—	—	—	314,804	314,804
Balance as at June 30, 2024	155,823,007	205,025,476	(151,452,062)	(1,270,410)	52,303,004
Shares issued from prospectus offering	—	—	—	—	—
Share option expense	—	58,140	—	—	58,140
Net loss	—	—	(2,803,700)	—	(2,803,700)
Cumulative translation adjustment	—	—	—	(460,264)	(460,264)
Balance as at September 30, 2024	155,823,007	205,083,616	(154,255,762)	(1,730,674)	49,097,180

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)

	Three months ended September 30, 2024	Three months ended September 30, 2023
Operating activities		
Net loss	-2,726,086	-2,520,191
<i>Add (deduct) items not affecting cash:</i>		
Depreciation of property, plant, equipment, and development (note 7)	136,700	328,060
Lease finance costs (note 9)	343,109	318,778
Change in value of lease and commercial production obligations (note 9,12)	2,227	(294,392)
Change in value of royalty obligations (note 10)	(824,066)	
Impairment of VAT receivable	407,070	477,333
Unrealized Foreign currency translation (gain) loss	143,460	(46,362)
Share-based compensation expense	(95,780)	
	(2,613,366)	(1,736,774)
<i>Change in non-cash working capital balances:</i>		
Increase in amounts receivable and prepaids and impairment of VAT receivable	(109,073)	(883,747)
Increase in inventories	(901,208)	(50,406)
Increase/(decrease) in accounts payable and accrued liabilities	913,720	(50,275)
Increase/(decrease) in provisions (note 12)	8,791	(14,273)
Net cash used in operating activities	(2,701,136)	(2,735,475)
Investing activities		
Increase in prepayments and deposits	—	(255,801)
Additions to property, plant, equipment, and development costs (note 7)	(4,292,719)	(2,202,329)
Net cash (used)/provided in investing activities	(4,292,719)	(2,458,130)
Financing activities		
Proceeds from issuance of common shares (note 15)	—	37,750,585
Common shares issuance costs (note 15)	—	(1,483,802)
Lease obligation principal payments (note 9)	(132,542)	
Repayment of royalty financing (note 10)	—	(948,750)
Proceeds from royalty financing (note 10)	—	
Net cash provided by financing activities	(132,542)	35,318,033
Effect of exchange rate changes on cash and cash equivalents	(11,027)	(26,238)
Net (decrease)/increase in cash and cash equivalents	(7,137,424)	30,098,190
Cash and cash equivalents, beginning of period	10,770,381	6,885,458
Cash and cash equivalents, end of period	3,632,957	36,983,648

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

NextSource Materials Inc.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the three months ended September 30, 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 Graphite 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 for the three months ended September 30, 2024. The Company does not pay dividends and is unlikely to do so in the immediate or near future.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on November 11, 2024.

2. Basis of presentation and going concern

Statement of compliance with IFRS

These condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) applicable to the preparation of interim financial statements under International Accounting Standard 34, *Interim Financial Reporting*, 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, 2024, including the accounting policies and notes thereto, 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 September 30, 2024, and June 30, 2024, and the results of operations and cash flows for the three months ended September 30, 2024, and 2023.

Operating results for the three months ended September 30, 2024, are not necessarily indicative of the results that may be expected for the full year ending June 30, 2025.

Basis of measurement

The condensed interim 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, 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
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(Expressed in US Dollars)

Going Concern Assumption

The Company's ability to continue operations and fund development is dependent on management's ability to secure additional financing. As of September 30, 2024, the Company had cash and cash equivalents of \$3,632,957 which is insufficient to fund its working capital requirements (including current liabilities of \$14,964,924) as well as ongoing general and administrative costs and anticipated capital and operating cash outflows. To date, the Company has had no revenue from operations and does not expect to generate substantial revenues from operations for the foreseeable future. Therefore, the Company will need to obtain financing in the form of equity, debt, or a combination thereof to continue with its planned strategic and operational activities. Management is actively pursuing additional funding, and while it has been successful at doing so in the past, there can be no assurance it will be able to do so in the future or on terms that are acceptable to the company. As such, the ability of the Company to raise additional funding to meet its obligations as they come due results in a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

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

3. Material accounting policy information

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, 2024.

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 condensed interim 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 condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods when the revision affects both current and future periods. Significant accounting judgments, estimates and assumptions are reviewed on an ongoing basis.

The areas involving significant judgments, estimates and assumptions have been detailed in Note 4 to the Company's audited consolidated financial statements for the year ended June 30, 2024.

5. Inventories

	As at September 30, 2024	As at June 30, 2024
Consumable materials	1,646,501	923,337
Run-of-mine (ROM) stockpile	83,884	71,279
Finished product	158,626	8,177
Total Inventories	1,889,011	1,002,793

NextSource Materials Inc.
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6. Prepaid Expenses

	As at September 30, 2024	As at June 30, 2024
Vendor Advances	657,082	1,174,515
Insurance & Services	549,945	159,429
Total Prepaid	1,207,027	1,333,944

7. Property, plant, equipment, and development

During the three months ended September 30, 2024, the Company made additions of \$13,125,722 and incurred development costs of \$2,692,899. The additions represent the capitalization of BAF equipment for \$11,965,233 of which \$8,609,740, was accounted for as a prepayment as of June 30, 2024. Development costs represent ongoing capitalization of Molo Mine processing plant and commissioning costs. There were no transfers from assets-under-construction to other categories of assets for the three months ended September 30, 2024 (June 30, 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
Transfers	-	-	-	-	-	-
Depreciation	(8,120)	(418,808)	(430,932)	(193,080)	852,618	(198,322)
Cancellation and derecognition of leases				(12,332,100)		(12,332,100)
Impact of foreign exchange	12,708	62,348	24,938	5,659	152,166	257,819
As at June 30, 2024	3,567,652	7,886,795	2,607,348	21,091,718	34,667,112	69,820,625
Additions	193,254	41,565	92,051	-	12,798,852	13,125,722
Development costs	-	-	-	-	2,692,899	2,692,899
Depreciation	(9,605)	(106,597)	(105,012)	(185,579)	270,093	(136,700)
Disposals	-	-	-	-	-	-
Impact of foreign exchange	(34,657)	(132,877)	(39,030)	(123,088)	(337,943)	(667,595)
As at September 30, 2024	3,716,644	7,688,886	2,555,357	20,783,051	50,091,013	84,834,951
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	3,743,431	8,273,188	3,259,563	21,068,645	50,091,013	86,435,840
Accumulated depreciation	(26,787)	(584,302)	(704,206)	(285,594)	-	(1,600,889)
As at September 30, 2024	3,716,644	7,688,886	2,555,357	20,783,051	50,091,013	84,834,951

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Molo Graphite Mine Development

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

On March 23, 2023, the Company announced the initiation of commissioning of Phase 1 of its Molo Graphite Mine in Madagascar, which has a production capacity of 17,000 tpa of SuperFlake® graphite concentrate. As at September 30, 2024, the mine and processing plant were still in commissioning.

The Molo Graphite Mine is subject to the following royalties:

- 3% of the gross sales revenue royalty is owned by Vision Blue Resources Limited (see also *Note 10 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 exclusive access to a proprietary graphite processing technology, through a 2% technology licensing royalty, that includes the design and development of the BAF process flowsheets, sourcing of all necessary equipment, and provision of all necessary training and operational expertise. The Company also has an agreement with a graphite trader for the international sale of the products. The sales partner will receive a 3% sales commission for leveraging its international relationships and acting as a sales, marketing, and trading agent of our BAF products.

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 Graphite Project and as such only limited work has been completed on these properties. Exploration and evaluation expenditures are expensed as incurred.

As of September 30, 2024, the Company had not capitalized any acquisition, exploration, and evaluation costs for these projects.

8. Accounts payable and accrued liabilities

	As at September 30, 2024	As at June 30, 2024
Accounts payable	3,859,967	2,791,910
Accrued liabilities	3,565,960	1,681,218
Total accounts payable and accrued liabilities	7,425,927	4,473,128

NextSource Materials Inc.**Notes to the Unaudited Condensed Interim Consolidated Financial Statements****For the three months ended September 30, 2024 and 2023***(Expressed in US Dollars)***9. Right-of-Use assets and lease obligations**

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

- On November 24, 2023, the Company signed a new lease for the Mauritius BAF at an industrial site in the port of Port Louis and recognized a ROU asset and a lease obligation of \$13,319,736 and capitalized legal costs of \$20,000. The lease obligation was calculated using an incremental borrowing rate of 11.5% based on an initial term of 20 years plus a renewal of 5 years. The lease payments are payable annually in advance. In the event the Company cannot obtain an EIA, the Company may terminate the lease prior to December 1, 2024, without incurring any additional cost.
- On November 6, 2023, the Company signed a new lease for an office in Antananarivo (Tana) and recognized a ROU asset and lease obligation of \$365,119. The lease obligation was calculated using an incremental borrowing rate of 11.5% based on an initial term of 3 years. The lease payments are payable monthly.
- For the year ended June 30, 2024 the company recognized a lease obligation of \$7,871,192 and a right of use asset for the energy services agreement (“ESA”) with CrossBoundary Energy Madagascar (“CBE”). This contract is for the hybrid solar thermal power plant owned and operated by CBE that is supplying electricity to the Molo Mine. The lease obligation was calculated using an incremental borrowing rate of 13.8% based on an initial term of 20 years plus a renewal of 5 years. The ESA requires the Company to purchase a minimum energy output of 11,200,000 kWh per annum at a base tariff of \$0.0837 per kWh which is equivalent to \$937,440 per annum. Over the initial term, the base tariff is subject to an annual escalation factor of 2.5% on June 1st of every year. If the energy use exceeds this minimum annual kWh, the Company will pay the same tariff per kWh for the excess, which is considered a variable lease payment. There was no variable lease payments made during the three months ended September 30, 2024. Total cash outflows made during the three months ended September 30, 2024, for this lease was \$98,167. During the three months ended September 30, 2024, \$20,018 of depreciation and \$292,648 of interest expense was capitalized in relation to this lease.

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

	Port-Louis BAF Lease	CBE Power Facility Lease	Tana Office Lease	Total 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	343,109	292,648	7,855	643,612
Lease payments	-	(98,167)	(34,367)	(132,534)
Remeasurement of lease liability	25,761	-	-	25,761
Disposals	-	-	-	-
Foreign exchange adjustments	-	-	(5,115)	(5,115)
As at September 30, 2024	12,789,007	8,677,020	269,606	21,735,633

NextSource Materials Inc.
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The following table sets out the lease obligations included in the condensed interim consolidated statements of financial position:

	Port-Louis	CBE Power	Tana Office	Total
	BAF Lease	Facility Lease	Lease	Obligations
	\$	\$	\$	\$
Current portion of lease obligations	1,417,617	1,686,917	134,227	3,238,761
Long-term lease obligations	11,371,390	6,990,103	135,379	18,496,872
As at September 30, 2024	12,789,007	8,677,020	269,606	21,735,633

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

	Port-Louis	CBE Power	Tana Office	Total
	BAF Lease	Facility Lease	Lease	Obligations
	\$	\$	\$	\$
Within 12 months	1,470,000	1,686,917	142,509	3,299,426
Between 13 and 24 months	1,470,000	1,196,718	148,210	2,814,928
Between 25 and 36 months	1,470,000	1,196,718	12,391	2,679,109
Between 37 and 48 months	1,470,000	1,196,718	-	2,666,718
Between 49 and 60 months	1,470,000	1,196,718	-	2,666,718
Over 60 months	28,297,498	22,564,391	-	50,861,889
Total undiscounted lease obligations	35,647,498	29,038,180	303,110	64,988,788

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.

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10. 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, and (3) 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 September 30, 2024, the obligation was remeasured at \$11,130,740 (June 30, 2024: \$11,591,878). During the three months ended September 30, 2024, the obligation increased due to accretion of \$362,928 (2023: \$363,544) and decreased due to a remeasurement gain of \$824,066 (2023: nil) recognized through the condensed interim consolidated statements of operations and comprehensive loss.

	Total
	\$
As at June 30, 2023	12,016,881
Accretion of royalty obligation	1,464,054
Royalty minimum repayments	(1,897,500)
Remeasurement of royalty obligation	8,443
As at June 30, 2024	11,591,878
Accretion of royalty obligation	362,928
Royalty minimum repayments	-
Remeasurement of royalty obligation	(824,066)
As at September 30, 2024	11,130,740

	Total
	\$
Current portion of royalty obligation	3,583,595
Long-term royalty obligation	7,547,145
As at September 30, 2024	11,130,740

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

	Total
	\$
Within 12 months	3,583,595
Between 13 and 24 months	1,650,000
Between 25 and 36 months	1,650,000
Between 37 and 48 months	1,650,000
Between 49 and 60 months	1,650,000
Over 60 months	4,949,999
Total undiscounted royalty obligations	15,133,594

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11. Warrant Derivative Financial Liabilities

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.

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

12. 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 Graphite 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, 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 expected to be settled upon the declaration of commercial production of Phase 1 of the Molo Graphite Mine.

During the three months ended September 30, 2024, the obligation increased through accretion of \$23,359 (2023: nil). On September 30, 2024, the obligation was remeasured at \$716,641 (June 30, 2024: \$707,850). The remeasurement resulted in a gain of \$23,534 (2023: \$46,362) and a foreign exchange loss of \$8,791 (2023: gain \$14,273).

13. Asset retirement obligations

The Company has recognized provisions for asset retirement obligations at its Molo Mine property. The provision for these obligations is based on the completed independent third-party estimate as at June 30, 2024. 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 which is currently estimated as 2054. The undiscounted closure and rehabilitation costs were estimated at \$3,640,166.

As of September 30, 2024, the present value of the future cash flows required for site closure and rehabilitation costs was measured at \$2,081,586 (June 30, 2024: \$1,920,269) using a long-term US Dollar risk-free interest rate of 2.0% (June 30, 2024: 2.1%).

14. Commitments

The Company is subject to contractual commitments related to royalties as described in notes 10 and 12.

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15. Share capital

As of September 30, 2024, the Company had 155,823,007 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.

There were no changes during the three months ended September 30, 2024.

The following changes occurred during the three months ended September 30, 2023:

- 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. The Company incurred issuance cost of \$1,546,992.

16. 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 September 30, 2024, the Company had 1,030,000 stock options outstanding (June 30, 2024: 1,030,000) with a weighted average expiration of 9.39 years (June 30, 2024: 9.64 years) exercisable into 1,030,000 common shares (June 30, 2024: 1,030,000) at a weighted average exercise price of CAD\$0.94 (June 30, 2024: CAD\$0.94). All outstanding stock options vested on their respective grant dates.

Grant Date	Vesting Date	Expiration Date	Exercise Price	As at			As at September 30, 2024
				June 30, 2024	Awarded	Cancelled	
May 11, 2022	May 11, 2022	May 11, 2025	CAD \$2.50	30,000	-	-	30,000
May 28, 2024	November 1, 2027	May 22, 2034	CAD \$0.89	1,000,000	-	-	1,000,000
Totals				1,030,000	-	-	1,030,000

There were no changes during the three months ended September 30, 2024.

17. Restricted share units (RSUs)

RSUs are 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 prior year by the Company, a past practice of settling in cash has been established. An RSU obligation of \$445,406 was recorded to accrued liabilities and share-based compensation liability.

	As at September 30, 2024	As at June 30, 2024
Current portion of RSU obligations	266,697	190,649
Long-term RSU obligations	178,709	401,469
Total RSU Liability	445,406	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.

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As of September 30, 2024, the Company had 910,000 RSUs outstanding (June 30, 2024: 910,000) that are subject to satisfying their respective vesting conditions. The RSUs have a weighted average time until vesting of 4.1 years (June 30, 2024: 4.35 years).

Grant Date	Vesting Date	Expiration Date	Vesting Condition	As at June 30, 2024	Awarded	Settled in Cash	As at September 30, 2024
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
May 28, 2024	September 30, 2025	September 30, 2027	E	25,000	-	-	25,000
May 28, 2024	December 31, 2025	December 31, 2027	E	25,000	-	-	25,000
May 28, 2024	February 1, 2025	February 1, 2028	E, V	41,667	-	-	41,667
May 28, 2024	March 31, 2026	March 31, 2028	E	25,000	-	-	25,000
May 28, 2024	May 1, 2025	May 1, 2028	E, V	41,667	-	-	41,667
May 28, 2024	June 30, 2026	June 30, 2028	E	25,000	-	-	25,000
May 28, 2024	August 1, 2025	August 1, 2028	E, V	41,667	-	-	41,667
May 28, 2024	September 30, 2026	September 30, 2028	E	25,000	-	-	25,000
May 28, 2024	November 1, 2025	November 1, 2028	E, V	41,667	-	-	41,667
May 28, 2024	December 31, 2026	December 31, 2028	E	25,000	-	-	25,000
May 28, 2024	February 1, 2026	February 1, 2029	E, V	41,667	-	-	41,667
May 28, 2024	March 31, 2027	March 31, 2029	E	25,000	-	-	25,000
May 28, 2024	May 1, 2026	May 1, 2029	E, V	41,667	-	-	41,667
May 28, 2024	June 30, 2027	June 30, 2029	E	25,000	-	-	25,000
May 28, 2024	August 1, 2026	August 1, 2029	E, V	41,667	-	-	41,667
May 28, 2024	November 1, 2026	November 1, 2029	E, V	41,667	-	-	41,667
May 28, 2024	February 1, 2027	February 1, 2030	E, V	41,667	-	-	41,667
May 28, 2024	May 1, 2027	May 1, 2030	E, V	41,667	-	-	41,667
May 28, 2024	August 1, 2027	August 1, 2030	E, V	41,667	-	-	41,667
May 28, 2024	November 1, 2027	November 1, 2030	E, V	41,663	-	-	41,663
Totals				910,000			910,000

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

There were no changes during the three months ended September 30, 2024.

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18. 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:

	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Mine	BAF	Total	Mine	BAF	Total
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses						
Exploration and evaluation expenses	3,204	-	3,204	9,960	-	9,960
Lease finance costs		343,109	343,109	10,212	308,566	318,778
Depreciation	-	134,519	134,519	198,646	122,154	320,800
Impairment of VAT receivable	407,070	-	407,070	477,333	-	477,333
Segment loss	(410,274)	(477,628)	(887,902)	(696,151)	(430,720)	(1,126,871)
Other Operating Expenses						
General and administrative expenses			(2,678,782)			(1,278,982)
Share-based compensation			95,780			-
Depreciation			(2,181)			(7,260)
Foreign currency translation loss			(128,609)			(786,029)
Interest income			53,769			338,515
Change in value of lease liability			(25,761)			294,074
Change in value of royalty obligation			824,066			-
Change in fair value of warrant derivative financial liability			-			-
Change in value of commercial production obligation			23,534			46,362
Loss before income taxes			(2,726,086)			(2,520,191)
Current income tax expense			(77,614)			0
Net Loss			(2,803,700)			(2,520,191)
Other comprehensive income						
Items that will be reclassified subsequently to net loss						
Translation adjustment for foreign operations			(460,264)			(26,238)
Net loss and comprehensive loss			\$ (3,263,964)			\$ (2,546,429)

The following is detailed information by geographic region as at September 30, 2024:

	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	2,726,370	280,169	626,418	3,632,957
Amounts receivable	29,488	210,656	-	240,144
Inventories	-	-	1,889,011	1,889,011
Prepaid expenses	272,465	1,439	933,123	1,207,027
Prepayments and deposits	-	700,000	183,242	883,242
Property, plant, equipment and development	1,525,039	27,446,321	55,863,591	84,834,951
Total assets as at September 30, 2024	4,553,362	28,638,585	59,495,385	92,687,332

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The following is detailed information by geographic region as at June 30, 2024:

	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	9,754,055	325,052	691,274	10,770,381
Amounts receivable	206,166	221,807	4	427,977
Inventories	-	-	1,002,793	1,002,793
Prepaid expenses	360,289	1,439	972,215	1,333,944
Prepayments and deposits	-	9,308,079	184,903	9,492,982
Property, plant, equipment, and development	1,408,471	15,445,111	52,967,043	69,820,625
Total assets as at June 30, 2024	11,728,981	25,301,488	55,818,232	92,848,702

19. 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, Chief Operating 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	Three months ended September 30, 2024	Three months ended September 30, 2023
Payroll and benefits	532,616	389,048
Management consulting fees	93,000	90,836
Professional fees	-	3,350
Share-based compensation	(95,780)	-
Total	529,836	483,234

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

Related party transactions contained within	As at September 30, 2024	As at June 30, 2024
Amounts receivable	21,029	56,603
Accounts payable and accrued liabilities	72,446	503,301
Current portion of royalty obligations	3,583,595	2,846,250
Long term portion of royalty obligations	7,547,145	8,745,628

Amounts receivable is for short-term loans to officers related to the exercise of stock options. Accounts payable and accrued liabilities are for accounts payable to related parties and the accrual of director fees.

20. Capital management

There were no changes in the Company's approach to capital management during the three months ended September 30, 2024.

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

Capital Resource Analysis

As of September 30, 2024, the Company had cash and cash equivalents of \$3,632,957 which is insufficient to fund its working capital requirements (including current liabilities of \$14,964,924) 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.

21. Financial Instruments and Risk Management

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

Liquidity risk

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

- Accounts payable and accrued liabilities, which are due within 30 days.
- Minimum payments under the royalty agreement 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.
- Long-term lease payment obligations are due annually in advance.

As of September 30, 2024, the Company had cash and cash equivalents of \$3,632,957 (June 30, 2024: \$10,770,381) to settle current liabilities of \$14,964,924 (June 30, 2024: \$10,433,208).

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, BAF construction, and development costs related to expansion of the MoloMine.

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Credit risk

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

Interest rate risk

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

Commodity price risks

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

Currency risk

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

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

			As at September 30, 2024		As at June 30, 2024
Cash and cash equivalents	CAD	\$	2,219,679	\$	3,599,424
Cash and cash equivalents	MGA		107,652		233,071
Cash and cash equivalents	MUR		160,045		204,126
Amounts receivable	CAD		—		167,886
Amounts receivable	MUR		76,455		42,163
Prepaid expenses	CAD		30,344		42,427
Prepaid expenses	MUR		—		—
Prepaid expenses	ZAR		211		26,971
Prepaid expenses	MGA		865,769		1,023,304
Accounts payable and accrued liabilities	CAD		(450,589)		(570,544)
Accounts payable and accrued liabilities	MGA		(1,983,012)		(1,807,746)
Accounts payable and accrued liabilities	GBP		(59,048)		(197,407)
Commercial production obligations	CAD		(731,383)		(707,850)
Current portion of lease obligations	MGA		(134,226)		(135,346)
Net foreign exchange exposure in USD		\$	101,897	\$	1,920,479

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	As at	As at
	September 30,	June 30,
	2024	2024
Impact of 10% increase in CAD/USD exchange rates	\$ 106,805	\$ 253,134
Impact of 10% increase in MGA/USD exchange rates	(114,382)	(68,672)
Impact of 10% increase in MUR/USD exchange rates	23,650	24,629
Impact of 10% increase in ZAR/USD exchange rates	21	2697
Impact of 10% increase in GBP/USD exchange rates	(5,905)	(19,741)
Total	\$ 10,189	192,048

As at September 30, 2024, the Company estimated that a 10% decrease of the USD versus foreign exchange rates would result in a gain of \$10,189 (June 30, 2024: gain of \$192,048) and a 10% increase in the USD versus foreign exchange rates would result in a loss of \$10,189 (June 30, 2024: gain of \$192,048).

22 Subsequent Events

On October 11, 2024, the Company closed a non-brokered private placement offering of 27,728,100 common shares of the Company at a price of CAD\$0.53 per share for aggregate gross proceeds of CAD\$14,695,893 and incurred issuance cost of CAD\$61,266. Vision Blue purchased 15,582,300 Shares under the Offering for a total subscription price of CAD \$8,258,619, and a mix of new and existing shareholders of the Company representing the remaining investors.