

**NextSource Materials Inc. (OTCQB:NSRCF) Q2 2025 Earnings Conference Call
February 17, 2025 11:00 AM ET**

Company Participants

Hanré Rossouw - President and CEO

Jaco Crouse - CFO

Brent Nykoliation - EVP

Conference Call Participants

Greg Jones - BMO Capital Markets

Operator

Welcome to NextSource Materials, Inc. Second Quarter 2025 Investor Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the verbal update. [Operator Instructions] Please note, this conference is being recorded.

I will now turn the conference over to your host, Hanré Rossouw, President and CEO of NextSource Materials. Mr. Rossouw, you may begin.

Hanré Rossouw

Thank you, operator. I'm clearly very excited to start the call. Good morning, ladies and gentlemen. I'm pleased to present an overview of our performance, for the first two quarters of our financial year '25, which of course marks the first six months of the year up to the end of December 2024. Our diligent efforts in project development, and financial management have yielded positive progress, enabling us to navigate the current market challenges effectively.

I began my tenure as CEO in November last year, and I've been impressed by the strength of our team, and confident in reiterating our clear strategy. During this call today, I will provide a brief overview of our progress during the last six months, as well

as the key objectives for the rest of the year. I will then ask our CFO, Jaco Crouse to provide a financial overview, including comments on our liquidity position and capital allocation.

Perhaps first, as background to the results, we continue to experience as in the last two years, a graphite market in oversupply and with growing competition, especially from synthetic graphite. Natural graphite prices declined in calendar year 2024, driven by weaker than expected EV demand, and market flooding by China. The long-term graphite market, however, remains positive, with prices recovering to be expected over the next part of the year, driven by rising EV demand, and excess supply in the market being absorbed.

Global battery demand is set to surge over the next decade. Benchmark Minerals Intelligence forecast 97 new graphite mines needed by 2035, and warning of a potential shortages that could last up to 20 years with our diversified production beyond China, graphite makes up more than 95% of a lithium battery anode, and we expect the lithium-ion batteries will remain the dominant technology, for the foreseeable future.

Despite challenging market conditions that have slowed our progress, we remain fully committed to optimizing and expanding our operations. Our focus remains on the Molo plant optimization, including the implementation of automated processes, to ensure sustained plant capacity, reduced production costs and increased economic feasibility of the operation, against the backdrop of current weak market demand.

The continued ramp up of the Molo plant, will also be balanced against the buildup of sales, to responsibly expand with market demand, and optimize our working capital. We are making progress, to achieving the following milestones. Firstly, the ramp up and optimization of Molo Phase 1, to production capacity and declaration of commercial production, with a focus to balance the optimal output, and quality of our SuperFlake® concentrate.

Secondly, the continued build out of customers and sales channels and thirdly, perhaps more importantly, securing long-term BAF offtake agreements, and strategic OEM partnerships, which will enable the construction of our first Battery Anode Facility.

We have been producing SuperFlake® graphite, with a fixed carbon content of over 95%, and completed shipments of qualifying SPG material via our technology partner, who is also currently performing qualifying tests and conversion into CSPG. We believe that this solidifies our strategy, as one of the few non-Chinese producers of high-quality natural graphite, with the off-the-shelf technology secured to upgrade this into battery anode material.

During the past six months, we announced the further strengthening of our management team, to support the next phase of our global growth strategy, with our

new CFO, Jaco Crouse and newly created roles of Chief Development Officer, in the form of Craig Scherba taking on this role, and our EVP of Downstream Operations with the appointment of Dr. Tilo Hauke. Jaco has already made a significant positive impact in enhancing financial reporting, and accountability.

Now I'll now hand over to him, to provide a summary of our financial performance.
Thanks, Jaco.

Jaco Crouse

Good morning, everyone.

I'm pleased to present a brief overview of NextSource Materials financial performance for the first two quarters of 2025. Our diligent efforts in cost management, and operational efficiency have yielded positive results, enabling us to navigate the current market challenges effectively.

As of December 31, 2024, the company had cash and cash equivalents of about \$3.3 million, with further liquidity secured on January 30, 2025, through a drawdown credit facility of up to US\$20 million with Vision Blue Resources Limited. The proceeds of the facility, which is non-dilutive to shareholders, will be used as needed to progress the company's Battery Anode Facility strategy, support the continued ramp up and growth of Molo, and for general working capital purposes.

It is important to note that commercial production has not yet been declared, for our Molo Graphite Mine, and we will continue to update you on our progress in this regard, and we will then set-up disclosure on production volume and cost, as well as sales volumes and prices.

In October 2024, the first container loads of high quality on spec SuperFlake® graphite concentrate, were exported from Madagascar to Germany and the U.S., under existing sales agreements and into key demand markets, for higher value graphite products. These shipments arrived in late December 2024 and are undergoing verification testing as a requirement for further commercial sales.

This incidental revenue has been recognized in our profit and loss statement for the period. Consequently, we have received further purchase orders and expects a continued ramp up of sales in the coming quarters. We remain committed to disciplined capital allocation, to support our growth journey as well as strategy. Long lead equipment and main process equipment for the company's initial Battery Anode Facility, designed for an initial production capacity of SPG and CSPG, was received during Q1, 2025. Thank you for your attention.

I now hand it back to Hanré.

Hanré Rossouw

Thanks Jaco.

In conclusion, we are pleased with the progress made despite the challenging market environment. Our focus on optimizing the Molo Graphite Mine, expanding our customer base and securing strategic partnerships, has positioned us well for the future. We are confident in our ability to navigate the evolving market dynamics and capitalize on the increasing demand for graphite and battery materials. Thank you for your attention.

And I now look forward, to addressing your questions during the Q&A session. Over to you operator.

Question-and-Answer Session

Operator

Certainly. [Operator Instructions] Your first question for today is from Greg Jones at BMO Capital Markets.

Greg Jones

Good morning Hanré and team. Thanks for taking my question. Regarding Molo, can you please touch on, what the key remaining issues are that you're working to resolve in order, to achieve nameplate capacity? And maybe if there's any guidance you could share around what current production is currently?

Hanré Rossouw

Thanks, Greg. The line was a bit faint, but what I heard is your question around the key aspects still to be resolved at Molo. Greg, we're very confident in Molo's ability to ramp up to 15,000 to 17,000 tonnes. I think as I've noted, it's critical that we also balance the increased output with the take up of new sales to customers. So we're balancing the increase of that at the right quality, with our ability to fill the sales channels.

Key aspects that, we have resolved include aspects around the street - the screens, and also on the dryer that we've upgraded. The next phase really moves towards the

optimization of the process quality, through automation and the training of our operators. I think importantly also is that it's not just Molo 1 that's critical for us in terms of ramp up, but also the lessons towards the expansion that we are planning of Molo.

So ultimately, we've got a feasibility study of up to 150,000 tonnes per annum. But the learnings that we are embedding now, is also then important to map out - the further expansion of Molo, which could be up to those 150,000 tonnes, depending on the necessary offtakes being secured.

Greg Jones

Thank you. In the latest update, it looks like the targeted range for production, has been set to 15,000 to 17,000 tonnes per year. Should we interpret that to mean that the ultimate targeted production, is now expected to be lower than the initial 17,000 tonnes?

Hanré Rossouw

Yes. Thanks, Greg. So the technical nameplate is 17,000. I think the reason for the range is to optimize also in terms of quality, as well as shift patterns and other aspects. I think perhaps the signaling there, is that we're not just blindly pumping through as much as we can through Molo. I think it's an optimization of quality, the right volume and cost that will go through, in terms of the final capacity that we declare at Molo.

Greg Jones

Thank you. And one more question if I could please, regarding Mauritius BAF, could you comment please on the status of the [BAIA]? Is there a date that you have in mind where if the BAIA is not received by, you'd look to move on and relocate the equipment elsewhere?

Hanré Rossouw

Thanks, Greg. I think it's important to note that, we are waiting for that last bit of environmental assessment, with the change of government. Unfortunately, that process has been delayed. So we continuously engaging with government, to just pin down the process of that. I think important to note that we, even though Mauritius for us has always been the focus, we've broadened that in publishing also our study, for the Kingdom of Saudi Arabia, and also evaluating other sites in the Middle East.

So our focus then remains on Mauritius, but also we'll consider options in the Middle East more broadly. And I think ultimately, the consideration there would factor in the potential for further expansion, the size, the economics and the risks, of course, in those geographies. But we'll have to wait for just further updates, before I can give more detail on that.

Greg Jones

Thank you. I'll pass back to the operator.

Operator

I would now like to turn the floor back to Brent Nykolation for webcast questions.

Brent Nykolation

Thank you very much, operator. Good morning and good afternoon everyone. I'm the Executive Vice President of Corporate Affairs and Strategy, and I am now going to be fielding some questions that have come through on the webcast. Our first question is from Rob Wells, and it's actually a two-part question. The first question is, is it imperative to have an offtake agreement in place, before beginning the mine expansion?

Hanré Rossouw

Thanks, Brent. I think I touched upon that briefly, but certainly it is. I think our strategy, is to ensure that we discipline in further expansion. I think important to note, that we produced two types of products in broad terms. Firstly, the minus 100 mesh would be the material that feeds into battery anodes. And I think there we've noted the importance then of that battery - the BAF offtake, to secure the offtake of that material.

That of course is trading at a significant discount, to our medium and large flake material where we're also building out the market. There we have existing contracts that we believe do cover us, and that we're able to deliver into those contracts. But it's especially on the BAF side that an offtake will be critical, to secure the financials and the risk in terms of a Molo expansion. Thanks Brent.

Brent Nykolation

Second question from Rob Wells, is what milestones do we expect to reach in 2025 and what are the timing of those milestones?

Hanré Rossouw

Thanks, Brent. I'll think again, to refer to my earlier discussions. I think the key aspects of course, are those threes, but three - or three points that I've raised. Firstly, the ramp up and optimization of Molo, is the key for us. I think there again, I want to note that it's not critically just hitting capacity, but it's getting that right optimal output and quality, whilst balancing our sales and securing our customer base.

I think of course also the BAF offtake, is a critical focus and there Rob, although I'd love to give you a commitment on time. We are dealing with a lot of uncertainty globally, and I can maybe just give you some certainty that, we are absolutely focusing and doing that as quickly, and expediently as possible, but with reducing risk and getting the right commitments, from the right OEM partners in securing that contract. So we can build our first battery anode material - battery anode facility. Thanks Brent.

Brent Nykolation

Thank you, Hanré. We'll now move on to the other questions. We have a two-part question from Robert Brent Forte [ph]. What is the current role in percentage ownership of Mick Davis, Sir Mick Davis, Vision Blue who is our cornerstone shareholder. And the second question, is if we can discuss any timelines around the possible Saudi Arabian collaboration, or Middle East?

Hanré Rossouw

Thanks. Thanks Brent. I think important to note that Vision Blue, or Mick Davis rather his involvement as Chair, is due to Vision Blue, the private equity company that he founded - as part of their involvement in NextSource. So Mick does not have direct ownership in Vision Blue other than through non-material shares that he owns as a Director. Vision Blue owns around 48% of NextSource's capital.

And we've seen strong support from NextSource not only for the strategy, but also in terms of financing this going forward. You would have note my description also rather Jaco mentioned, the loan that Vision Blue's extended to the company, and this really then secures our financing, to progress our growth strategy. So we certainly see them as a strong supporter of our strategy.

And they've been a force, for good in terms of securing the necessary financing, not only through the loan I've mentioned, but also through the private placement we did earlier the year. Brent just - then moving on to the Kingdom of Saudi Arabia feasibility. We've published that feasibility earlier last year, showing very attractive economics for that potential opportunity in the Kingdom of Saudi Arabia.

We will evaluate that in contrast and also with opportunity in Mauritius, and other parts of the Middle East. Again, I've got to stress that the importance, then of securing firstly a battery anode facility offtake agreement, and that really together with the economics and the risks associated with the various locations, will then play into the final decision of, which location to follow and the appropriate timeline, then to deliver that BAF facility.

Thanks, Brent.

Brent Nykoliation

Thank you. So moving on to a question from Len Scherba. What is causing the price of the shares of next to be so erratic? Is the price of graphite? Is it NextSource news? Is it the macro world news, manipulation of the stock, or some other reason?

Hanré Rossouw

Yes, thanks, Brent. Certainly, all of the above. I can't really comment though on manipulation of the price. What we have seen has been, due to the limited market cap of the share that we've seen large buyers, and sellers call significant moves in the share price. But I think to the extent that we've seen a lot of geopolitical news around tariffs, potential tariffs also impacting kind of Chinese supply, Canadian supply.

Certainly, we don't produce Canadian material that has had an impact more broadly on the Canadian market. So there's certainly been also volatile price movements that, we've seen in the graphite world. So it's really a combination of all of the above. Thanks Brent.

Brent Nykoliation

Thank you. Moving on to a question from Leith Yelland. What are the range of potential financing sources, to match the IFC mandate letter, to proceed with Phase 2 Molo. Followed by, is there an advantage to avoid declaring commercial production, until the market turns more positive?

Hanré Rossouw

Yes, thanks. I think in terms of financing options, we do look to optimize - our not only the cost of capital but reduce risk in the appropriate capitalization of the business, not only at the group level, but also at the asset level. It's certainly a very good question, just in terms of the Molo expansion as noted, we've got then the commitment letter from the IFC, to consider up to 90 odd million of debt into the Molo expansion.

So we'll go through a due diligence, once we determine the requirement for Molo also in a BAF, to determine the optimal funding of the Molo expansion. Likewise in the potential BAF facility that we're considering, there we will also look at debt and potential equity partners, and that in conjunction then with funding at the group level.

Will really be the ability that we have then to fund, these two major growth parts of the business. And we'll continuously optimize risk, and the cost of capital in that allocation. Please remind me of the second part of that question, Brent.

Brent Nykoliation

The second question was more we'll have to sorry, refresh here. The question was around the, just the steps basically on the financing of the IFC. And then whether or not, we are moving forward with any developments on the Middle East. So I think you've answered those questions?

Hanré Rossouw

Excellent. Thank you very much, Brent.

Brent Nykoliation

Moving on to [Andrew Zendel]. This is a very hot topic, ones we get asked almost daily, are any of the U.S. tariffs imposed by the Trump administration potentially impacting us?

Hanré Rossouw

Yes, I think to the question also about kind of what impacts the share price. We've seen lots of news flow around, different tariffs on different commodities. I think the key aspect of our strategy, is that we present a generally geopolitically neutral supply of graphite, and battery anode. I think to that extent Madagascar and Mauritius and the Middle East, has not been seen as a potential target for tariffs.

So certainly, it strengthens our investment case. I think there could be some unintended consequences, in terms of potential impact on other technology flows, steel or the like, but we don't see that as material on our business. Thanks, Brent.

Brent Nykolation

Another question that's come in. Which again is very popular for us is, is there continued demand for non-Chinese graphite coming in from the West?

Hanré Rossouw

Thanks for that question. I think unequivocally, yes. I think especially given the increased tariffs that we're seeing out of the U.S., but also geopolitical political pressures playing out in the rest of the world. There's an increased recognition that Chinese dominance, is causing risk even for the likes of the Japanese, or the European OEMs. And to that extent, we are certainly seeing increased incoming calls from potential off takers both on the battery anode graphite.

As well as the larger flake graphite, to secure sales. And I think that's really why I express confidence, in our ability then to build-out customers, both in the medium and large flakes, which of course flows more into the metallurgical electrode and other industries, but also then securing the BAF offtake that we can place our smaller flake material. Thanks, Brent.

Brent Nykolation

Thank you. We have a question from [George Katselis]. Is there any steps being taken to develop our Green Giant Vanadium deposits alongside our Molo Graphite project?

Hanré Rossouw

Thanks. At the moment there's no prioritization of the Green Giant. I think certainly remains optionality, within the portfolio. Our priority at the moment, is the exciting prospects in the graphite industry. We will certainly continue to evaluate that in the longer term, and ensure that that optionality in our portfolio is also recognized, but not at the moment. Thanks.

Brent Nykolation

We have two last questions here. We have a question regarding what is our current cash burn, and if we are to receive the permit in Mauritius, how much, how many dollars would it take to start manufacturing an anode product in Mauritius?

Hanré Rossouw

Thanks. Let me deal with the second question first, and I will then pass on the cash flow aspect to Jaco. I think in terms of the Mauritian facility, Brent, as we've noted, there's the potential there to develop the site in the - close to Port-Louis. We've not there disclosed final capacity or CapEx. I've got to say that the early ordering of equipment for that, does however significantly improve our ability, to deliver both SPG and CSPG in the short-term.

But I think to that extent we would want to wait for the final investment decision. Then to clarify exactly what the cash requirement would be there. Over to Jaco, just perhaps to reference our cash flow for the quarter.

Jaco Crouse

Thanks a lot, Hanré. Yes, I referred to Page 4 of the financial statements that, is available on our website. The operating cash flow for the quarter, sorry for the six-month is \$10.3 million that gives you an idea in terms, of what the monthly burn rate is. Obviously what I'm excluding from that, is any capital or any cash flow that we are investing in the battery anode facility, which can be also found on Page 4, which runs about \$6.4 million.

So I think the number in order to work off, in terms of looking at what that cash burn is currently is probably around \$10.3 million over a six-month period.

Brent Nykolation

Thank you, Jaco. We have a lot of questions coming in that are quite detailed around certain things. What I'd like to suggest to some of the investors, what we will be doing after this call, is we'll be answering all of these questions that we can't get to during this call individually. So if you have some questions that we'd like to make sure that we can answer, we do have your emails, which we will respond to, so please look out for those, because unfortunately due to time constraints we cannot answer all questions.

Currently right now. Hanré, the only last one we have right now is coming in. Do we see the EU as being our primary market, for our graphite sales?

Hanré Rossouw

Thanks, Brent. I think certainly, the EU is an important market both for the large and medium flake, but also potentially on the smaller flake that goes into battery anodes. So in terms of OEM partnerships, we are in discussion with number of the European players, but we are looking at all OEMs globally, whether it's North American, European, all those in Japan, Korea. So yes, it's important, but I wouldn't say that's the single most important market for us. Thanks, Brent.

Brent Nykolation

Thank you. We have one final question, and again as I mentioned, we will answer the additional questions, which are certainly more nuanced individually. The last question we have here from the investor, Hanré, is has there been some. There's some language in the recent NDA that, points towards artificial graphite use for the BAF. Is there any progress towards an acquisition, or manufacturing or artificial graphite plan in this regard?

Hanré Rossouw

That was - I didn't quite see that reference, but I think certainly as we've communicated previously, Brent, and thanks for the question. It is certainly part of the broader strategy. Although, we do believe that Molo superior quality graphite, is our preferred source. We will consider other sources, also of natural and artificial graphite. So yes, it is certainly potential additional aspect of sourcing for us, but given the quality of Molo, that is certainly the primary source that we see towards a BAF facility. Thanks a lot, Brent.

Brent Nykolation

Okay. Thank you very much. As I said before, there's a lot of questions here that will, due to time constraints, we will get back to the individual investors via email. So please look out for those, and we look forward to hearing any other feedback as well. So over to closing comments from you, Hanré.

Hanré Rossouw

Thanks, Brent. Thanks, operator, and thank you, ladies and gentlemen. I just want to reiterate our confidence in the NextSource strategy, and our commitment to delivering these milestones that, I've outlined earlier in the call. Thank you for your continued support and participation in today's call, and we look forward to updating you on our progress in the coming quarters. Thanks all. Thank you very much.

Operator

This concludes today's conference. This concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.