



NextSource Materials Inc.

Management's Discussion and Analysis (MD&A)

For the three and six months ended December 31, 2025, and 2024

Expressed in US Dollars

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

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

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated February 17, 2026 of NextSource Materials Inc. ("NextSource", "we", "our" or the "Company") should be read in conjunction with the Company's Unaudited Condensed Interim Consolidated Financial Statements for the six months ended December 31, 2025 and 2024 (the "Financial Statements") that were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), which are filed on the Company's SEDAR+ profile at www.sedarplus.ca. This MD&A should also be read in conjunction with the Company's Management's Discussion and Analysis and Audited Consolidated Financial Statements for the years ended June 30, 2025, and 2024 and the AIF that were filed on the Company's SEDAR+ profile at www.sedarplus.ca.

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

The Company's financial year is from July to June and spans across **two calendar** years. The following table indicates the corresponding calendar periods for the 2026 financial year of the Company:

Reporting Period of the Company	Calendar months
Q1 2026	July 1, 2025, to September 30, 2025.
Q2 2026	October 1, 2025, to December 31, 2025.
Q3 2026	January 1, 2026, to March 31, 2026.
Q4 2026	April 1, 2026, to June 30, 2026.

For example, when the Financial Statements and MD&A refer to *Q2 2026*, it will be consistent with the reporting period of the Company which corresponds to the calendar period October 1, 2025 to December 31, 2025, *and not* the calendar period April 1, 2026, to June 30, 2026.

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

BUSINESS DESCRIPTION

NextSource was continued under the *Canada Business Corporations Act* from the State of Minnesota to Canada on December 27, 2017. The Company's head and registered office is located at 130 King Street West, Exchange Tower, Suite 1943, Toronto, Ontario M5X 2A2. The Company's website is www.nextsourcematerials.com.

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

Business Strategy

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

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

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

The Company has executed on this strategy through the construction and commissioning of the Molo Graphite Mine in southern Madagascar (the "**Molo Graphite Mine**") and securing through its Japanese offtake partner and a leading Chinese processor of graphite anode material, a partnership to collaborate on the construction of a value-add, battery anode plant in the United Arab Emirates ("**UAE BAF**").

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

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On August 5, 2025 the Company and Mitsubishi Chemical Corporation (“**MCC**”), entered into a binding, multi-year offtake agreement (“the **Offtake Agreement**”). Under the terms of the Offtake Agreement, the Company and MCC have partnered to supply anode active material to a major OEM for the North American EV market. The Offtake Agreement is subject to certain conditions precedent including, among other matters, the Company’s obligation to secure financing for the construction of its UAE BAF, commencement of construction of the UAE BAF and the commencement of production from the first production line by an agreed date. In light of several factors, including delays in securing the required financing, it is unlikely that the Company will be able to meet certain of these conditions under the timeline agreed in the Offtake Agreement. The Company has commenced discussions with MCC in respect of establishing revised timeline to satisfy the conditions precedent. The Company is well advanced in agreeing an extension to the project milestones and expects that it will be able to reach an agreement on these matters with MCC in Q3 2026; however no assurance can be given in this regard. In the event that the timeline for meeting these conditions precedent cannot be favourably renegotiated with MCC or waived by MCC, MCC may elect to terminate the Offtake Agreement. In such instance, the Company will not have a confirmed offtake partner for the anticipated production from the UAE BAF.

Molo Graphite Mine

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

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

Phase 1 production is subject to long-term offtake agreements with thyssenkrupp Materials Trading GmbH (“**thyssenkrupp**”) and a prominent Japanese trading company (the “**Japanese Partner**”).

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

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

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

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

Battery Anode Facilities

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

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

The multi-year agreement with Mitsubishi Chemical Corporation is a catalyst for the construction of a BAF and requires the supply of approximately 9,000 tonnes per annum of AAM. The Company intends to advance development of the BAF in the UAE instead of the previously announced location of Mauritius. Factors such as permitting efficiency, available infrastructure, and proximity to other OEMs make the UAE a preferred location.

Pricing for the Offtake Agreement is based on a formula that incorporates both fixed and variable components and is designed to support long-term project economics for the producer and secure capacity for the offtaker.

The Company’s near and medium term objectives for developing the UAE BAF is: (i) completing the front-end engineering design for the UAE BAF to support a final investment decision on the project with a target completion date on or about the end of Q3 2026; (ii) concluding the Company’s strategic partner process and securing the associated financing required for construction of the UAE BAF with a target completion date of on or about the end of Q3 2026; and (iii) finalizing the Molo Phase 2 expansion study for the Molo Graphite Mine to ensure alignment between

future production capacity and the anticipated feedstock requirements of the UAE BAF with a target completion date of Q3 2026. These activities are intended to position the Company to progress toward an integrated, non-Chinese supply chain for natural graphite and battery anode materials.

During Q2 2026, the Company delivered on a number of near term strategic objectives by:

- publishing positive results of a preliminary economic and technical study (the “**Study**”) on the construction of a proposed 30,000 tpa capacity BAF located in the UAE,
- signing an agreement to secure an industrial building in the Industrial City of Abu Dhabi (“**ICAD**”); and
- completing the first shipment of long-lead items for the UAE BAF to Abu Dhabi.

The results of the Study confirmed the Company's unique position to deliver high-performance graphite anode material at scale, with compelling economics and a clear path to scalable commercial production. Delivery on three of the four milestones validates the Company's global expansion strategy and reinforces the commitment to supporting the electric vehicle supply chain with vertically integrated, ESG-compliant solutions.

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

Exploration and Evaluation Properties

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

OUTLOOK AND MILESTONES

Financing

On January 30, 2025, the Company secured a drawdown credit facility of up to \$20 million from Vision Blue Resources Limited (“**Vision Blue**”) (see note 13 of the Financial Statements). This non-dilutive facility supports the advancement of the Company's BAF initiatives, facilitates continued development at the Molo Graphite Mine, and provides working capital as needed. The initial \$20 million drawdown credit facility was fully drawn by July 16, 2025. On October 29, 2025, the Company announced that it has agreed to an extension to this drawdown credit facility of up to a further \$10 million. During Q2 2026, the Company drew down \$7.5 million of the amended facility.

On February 9, 2026, the Company launched a “best-efforts” private placement of 58,823,500 units of the Company (the “**Units**”) at a price of \$0.425 per Unit for aggregate gross proceeds of CAD\$24,999,987.50 (the “**Offering**”). Concurrently, the Company entered into an amended and restated loan facility with Vision Blue (the “**Amended Facility**”) which increased the maximum capacity under the existing drawdown credit facility from \$30,000,000 to \$50,000,000. Drawdowns remain at the discretion of Vision Blue and there is no assurance that additional advances will be available to the Company under the Amended Facility. However, the Company expects that, at closing of the Offering, the Company and Vision Blue will enter into a consent agreement under which Vision Blue will commit to advancing \$5,000,000 under the Amended Facility subject to the satisfaction of certain conditions precedent and will extend the maturity date under the Amended Facility to the date that is 12 months and 1 day following the Closing Date. The amendment of the facility will result in the net working capital as at December 31, 2025, to change from a deficit of \$27,254,995 to a surplus of \$2,026,639 (Note 23 of the Financial Statements).

The net proceeds from the Offering are expected to be used to advance the UAE BAF, update the Molo Phase 2 expansion study and for general corporate purposes as disclosed in the offering document.

The Company continued advancing its financing efforts to engage potential strategic investors for the UAE BAF and executed a letter of intent with Hanwa Co., Ltd. and Japan Organization for Metals and Energy Security for a potential project-level equity investment in the UAE BAF of up to \$30 million on February 3, 2026.

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

Molo Graphite Mine – Molo Phase 1 and Molo Expansion

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

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As a result of a review conducted in Q3 2025, the Company made the prudent decision to utilize the existing Molo Phase 1 plant for campaign production. The review identified the remaining technical issues slowing the ramp-up and limiting the plant capacity to 11,000 tpa, traced inefficiencies in the milling and flotation circuits and identified the improvements needed to correct such issues and inefficiencies. The solutions, however, require parts and equipment with significant lead-times (ordering, fabrication, delivery and installation) along with further capital investment, and the timelines required to complete improvements to Molo Phase 1 now overlap with the development plans for Phase 2. Instead of incurring costs and resources to complete final fixes to the Phase 1 plant where anticipated volume demands will quickly outgrow its volume capacity, the Company updated the operational strategy in Q3 2025 to utilize Phase 1 for campaign production. The change in operational strategy resulted in ceasing to capitalize operating costs related to ramp-up and commissioning, transfer of the capitalized cost from assets-under-construction to plant and commencement of depreciation. This change in operating strategy is a main driver in variances when comparing Q2 2026 with Q2 2025 and is further addressed herein under *Results of Operations*.

The Company continued graphite sales, with 506 tonnes ("t") of material shipped to international customers during the six months ended December 31, 2025 (787t for the year ended June 30, 2025). Shipments are currently being verified by the end customers to ensure that the coarse flake SuperFlake® meets the required specifications for future commercial sales. During the six months ended December 31, 2025, the Company completed one campaign and reprocessed 2,274t of mixed material and produced 1,737t of on-spec SuperFlake®. The total SuperFlake® inventory between the Molo Graphite Mine and the Toliara port is 6,808t with approximately half of the material representing -100 mesh SuperFlake® being stockpiled for the UAE BAF. The Company have strategically stockpiled -100 mesh Superflake® with the purpose of feeding the proposed BAF plant. The current stockpile and campaign production capacity are sufficient for AAM production under the Offtake Agreement over the first 2 years.

The existing inventory together with campaign production will continue to support the qualification of our graphite products and the servicing of key customers. This will enable the Company to continue the build out, its sales channels and mobilize the Molo Phase 2 expansion to responsibly expand with market and the UAE BAF demand.

Battery Anode Facility

The existing BAF equipment has a production capacity of 3,600 tpa of SPG and/or CSPG. Long-lead equipment and the main process equipment ordered in the 2024 financial year was received during Q1 2025. The total amount invested in the equipment as at December 31, 2025, was \$11,972,733.

On June 2, 2025, due to the prolonged and costly nature of the Mauritius Environmental Impact Assessment ("EIA") process, along with the remaining risk of post-approval contestation of Minister-approved EIAs, the Company decided to exercise its option to terminate the lease agreement on the Mauritius BAF (the "**Mauritius BAF**") and withdraw its EIA application at no further cost. This strategic decision minimized financial exposure while leveraging the transportable BAF processing equipment, ensuring cost-efficient redeployment and installation at any suitable new location. The transportability of the BAF plant significantly derisks the schedule timeline for delivering AAM into the Offtake Agreement.

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

The Company secured a site with an existing building in ICAD - a major industrial free zone. ICAD is an expedited permit zone, where an Environmental Impact Study and Assessment is not required to begin construction. The site has an existing, high-quality heavy industrial building requiring minimal modification and has a significant land parcel that provides sufficient space to accommodate a 30,000 tpa capacity BAF. The site and existing building are strategically situated along major international shipping routes and are supported by extensive and world-class infrastructure, including local deep-water ports, and industrial parks. It is immediately adjacent to a wide range of industries, including petrochemicals, refining, manufacturing, and logistics, offering easy access to raw materials, markets, and transportation networks, making the facility an attractive location for the Company to service domestic and international customers. The security deposit for the site was paid on October 29, 2025.

Together with Stantec, a global engineering service provider, the Company has completed a preliminary design and produced both a capital and operating cost estimate in line with AACE International guidelines as part of the Study to develop the UAE BAF. The Study confirmed annual production capacity of 30,000tpa of AAM, satisfying production demands of the existing Offtake Agreement and accommodating future demand growth from new offtake agreements.

The Study further confirmed positive phased-project economics with a total capital cost of \$291 million (including sunk costs and working capital of \$7 million), post-tax NPV8% of \$442 million and an IRR of 24%. It is expected that the UAE BAF facility will be developed in two phases, with Phase 1 capital cost of \$150 million delivering AAM production of 14,000 tpa. The Phase 1 capacity more than satisfies the Offtake Agreement volume of 9,000 tpa. At full production of 30,000 tpa, the average annual forecasted revenue of the facility is \$195.5 million and average annual EBITDA of \$75.6 million. Phase 1 build-out and production is aligned with the condition precedent in the Offtake Agreement.

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Economic Highlights	Post-Tax Results (\$)
Net Present Value ("NPV") (8% discount rate) ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	441.8 million
Capital Costs ⁽²⁾	290.9 million
Working Capital ⁽³⁾	6.8 million
Life of Operation (LoO)	33 years
Internal Rate of Return ("IRR") ⁽¹⁾⁽⁴⁾	24.2
Payback Period ⁽¹⁾⁽⁴⁾	4.6 years
Annual Revenues ⁽⁵⁾	195.5 million
EBITDA ⁽⁵⁾	75.6 million

Economic Operational Highlights

Average Annual Anode Material Production (C/SPG/PFG)	30,000 tpa
Average Sales Price Assumption (per tonne) ⁽⁶⁾	\$ 6,417

1. Assumes Project is financed with 100% equity.
2. CAPEX includes process equipment, ancillary civil & infrastructure, electrical and utilities, project and construction services, and contingency of \$31.5 million.
3. Working capital for first 6 months of operation and raw materials inventory.
4. As measured from start of operation and assumes no inflationary adjustments in sales price or operating costs.
5. Average over the life of the operation and excludes royalties, taxes, depreciation, and amortization.
6. Based on projected contract pricing and Benchmark Minerals Intelligence ("BMI") forecast data for flake graphite from calendar Q2 2025. Excludes sales of graphite fines and other by-products.

The Company will finalize the front-end engineering and design in preparation for project execution. Informed by the outcomes of the Study, the final investment decision and financing options will be considered to advance the project into execution.

After obtaining the required funding and concluding operating permits, the Company will procure the remaining plant equipment, after which the Project will move into the installation phase and finally into commissioning, which is targeted towards the end of 2026. The process will also include engagement with KEZAD, the government organization in charge of ICAD, and other regulatory authorities to finalise permitting and approvals required for installation and production.

The Study provides a preliminary site layout and conceptual designs for the Project, integrating the provided vendor equipment designs, partner recommendations, and site constraints. These designs will be further developed and adapted in the future detailed engineering and design phase to incorporate site-specific details. NextSource will engage with regional contractors to provide location-specific operational requirements, legal and regulatory requirements, technical criteria, operational specifications, equipment selection, and mitigation of environmental impacts. Regional contractors will also complete civil and non-process critical design elements.

The economic evaluation in the Study was completed using a discounted cash flow model. This model was developed using the capital and operating cost estimates and the marketing and freight assumptions developed during the preparation of the Study. The model follows industry standard modelling practices and contains the following factors:

- Financing is excluded from the BAF project evaluation results but included in the model for completeness.
- Inputs and cash flows are all in real terms as of the valuation date (calendar Q3 2025).
- Cash flows are all summarized annually using financial years (year-end 31st of December) and is structured around the following cash streams: (i) revenue including realization costs (sales and commission fees); (ii) operating costs; (iii) capital costs (broken into development capital and sustaining capital) and (iv) taxation.
- Cash streams are summed to give annual unleveraged free cashflow.
- Unleveraged free cashflows are discounted to give discounted cashflows.
- Discounted cash flows are summed to give NPV.
- The discount rate applied is 8%.
- Sunk costs have been included in the capital costs representing the equipment already purchased for the project. This has been included in the financial model prior to the valuation base date.
- Depreciation has been calculated using a straight-line method using an average five-year useful life.
- Working capital adjustments for the anticipated change in accounts payable, accounts receivable and inventory, have been included with an average three-month receivable, and 30 days payable.

The capital cost estimates were provided by Stantec using information and guidance provided by NextSource and the product pricing was provided by Benchmark Mineral Intelligence. The cost estimates provided in the report were prepared in accordance with the guidelines of the Association for the Advancement of Cost Engineering International. Stantec relied on input and collaboration from NextSource to complete the project

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schedule, operating costs, economic evaluation. The financial modelling was completed by NextSource and findings were summarized in the final report.

RESULTS OF OPERATIONS

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

Financial Results for the six months ended December 31, 2025, and December 31, 2024

	Six months ended December 31, 2025			Six months ended December 31, 2024		
	Mine	BAF	Total	Mine	BAF	Total
Revenues	\$ 553,275	\$ —	\$ 553,275	\$ 51,589	\$ —	\$ 51,589
Expenses						
Cost of Sales	767,066	—	767,066	31,286	—	31,286
General and administrative expenses	276,676	60,260	336,936	—	—	—
BAF Evaluation costs	—	2,151,893	2,151,893	—	—	—
Write-down of inventory to net realizable value	5,912,771	—	5,912,771	—	—	—
Finance costs	33,955	—	33,955	43,698	695,923	739,621
Depreciation	—	5,544	5,544	—	271,864	271,864
Impairment of foreign VAT receivable	—	27,547	27,547	1,013,356	—	1,013,356
Exploration and evaluation expenses	36,323	—	36,323	8,094	—	8,094
Madagascar Government Royalties	12,250	—	12,250	—	—	—
Change in value of lease liability	—	—	—	—	25,761	25,761
Realized foreign exchange (gain)/loss	(57)	2,940	2,883	—	—	—
Unrealized foreign exchange loss	329,551	—	329,551	—	—	—
Segment loss	(6,815,260)	(2,248,184)	(9,063,444)	(1,044,845)	(993,548)	(2,038,393)
Other (Expenses)/Income						
General and administrative expenses			(3,475,789)			(4,904,108)
Share-based compensation			(300,814)			(189,365)
Depreciation			(3,434)			(4,411)
Exploration and evaluation expenses			(13,755)			—
Change in value of royalty obligation			(1,069,054)			1,013,943
Change in value of commercial production obligation			—			67,047
Realized foreign exchange loss			(22,576)			(329,567)
Unrealized foreign exchange loss			(14,101)			(416,573)
Finance cost			(2,202,422)			—
Finance income			45,480			67,190
Loss before income taxes			(16,119,909)			(6,734,237)
Current income tax expense			(528,203)			(162,788)
Net loss			(16,648,112)			(6,897,025)
Other comprehensive loss						
Items that will be reclassified subsequently to net loss						
Translation adjustment for foreign operations			(1,665,400)			(1,548,558)
Net loss and comprehensive loss			\$ (18,313,512)			\$ (8,445,583)

Management's Discussion and Analysis

For the three and six months ended December 31, 2025, and 2024

Discussion of the six months ended December 31, 2025, and the comparative December 31, 2024, period

For the six months ended December 31, 2024, the Molo Graphite Mine was considered in commissioning and ramp-up. After the review conducted in Q3 2025, the decision was made to run the Molo Graphite Mine on campaign operation. Consequently, capitalization of operating costs considered part of commissioning and ramp-up as assets-under-construction ceased and instead such costs have been capitalized as cost of Superflake® inventory from the end of Q3 2025. Refer to *Molo Graphite Mine* under Outlook and Milestones.

Net loss and comprehensive loss increased to \$18,313,512 (December 31, 2024: \$8,445,583) due to the following:

- The Molo Graphite Mine segment loss increased to \$6,815,260 for the six months ended December 31, 2025, (December 31, 2024: \$1,044,845), and relate to the following:
 - For the six months ended December 31, 2025, the Molo Graphite Mine sold 506t of SuperFlake® for \$553,275 (December 31, 2024: 37t for \$51,589) under the existing SuperFlake® offtake agreements with thyssenkrupp and the Japanese Partner.
 - Non-production cost of \$276,676 (December 31, 2024: \$Nil) was expensed during the care and maintenance or non-campaign production period for the six months ended December 31, 2025.
 - Inventory is carried at the lower of cost or net realizable value. With the low throughput capacity under the campaign mode of the Molo Graphite Mine and processing plant, the cost of production was more than the net realizable value as at June 30, 2025 and for the six months ended December 31, 2025. The net realizable value was calculated using the SuperFlake® inventory size distribution and Benchmark Mineral Intelligence FOB China reference price as at December 31, 2025. This resulted in the write-down of inventory of \$5,912,771 (December 31, 2024: \$Nil). In the prior year, continued ramp-up and commissioning costs of the Molo Graphite Mine and processing plant were capitalized to assets-under-construction until the end of Q3 2025. Capitalization ceased at the start of Q4 2025 as the decision was made to utilize the existing plant for campaign production. Accordingly, during the six months ended December 31, 2024, \$2,722,713 operating expenses were capitalized as commissioning and ramp-up costs as assets-under-construction.
 - The Madagascar VAT receivable is associated with the claim related to value-added tax paid on consumables and services in Madagascar to operate the Molo Graphite Mine. The VAT refunds are rarely made and accordingly the VAT receivable is impaired. Since this VAT relates to operating cost, the impairment of the VAT receivable of \$513,797 was capitalized as inventory cost for the six months ended December 31, 2025, and either resulted as a part of cost of sales or write-down of inventory to net realizable value. Impairment of the VAT receivable for the six months ended December 31, 2024, of \$1,013,356, was expensed as a period cost.
 - Depreciation expenses of \$1,516,737 were capitalized as the cost of inventory for the six months ended December 31, 2025. For the six months ended December 31, 2024, \$538,966 was capitalized as assets-under-construction during the commissioning and ramp-up phase of the Molo Graphite Mine and processing plant. There was no depreciation expensed as period costs for the six months ended December 31, 2025, or the six months ended December 31, 2024. The increase in depreciation cost between 2024 and 2025 is the result of depreciation of the Molo Graphite Mine and processing plant under campaign production, where previously the assets were not depreciated as assets-under-construction.
 - Exploration and evaluation expenditures increased to \$36,323 for the six months ended December 31, 2025, (December 31, 2024: \$8,094). This increase relates to the timing of renewal of mineral claims in Madagascar.
 - Royalties represent the 5% Madagascar Government Royalties levied on sales of SuperFlake® of \$12,250 (December 31, 2024: \$Nil).
 - Finance cost is accretion associated with the Antananarivo office lease and was expensed as a period cost for the six months ended December 31, 2025, due to the reduced activity associated with the non-campaign production days. Operation of the Molo Graphite Mine is dependent on the office as it performs most mine administrative functions and customs clearing for the purchases of all consumables. The accretion expenses for 2025 were \$33,955 (December 31, 2024: \$43,698).
 - The functional currency for the Madagascar subsidiaries is Malagasy Ariary. The Molo Graphite Mine and processing plant operations rely on imports, predominantly from South Africa. The realized and unrealized foreign exchange loss represent changes in the value of outstanding foreign vendor payments. Refer to note 24 of the Financial Statements for a breakdown of foreign currency exposure.

NextSource Materials Inc.**Management's Discussion and Analysis****For the three and six months ended December 31, 2025, and 2024**

- BAF expenditures increased to \$2,248,184 for the six months ended December 31, 2025 (December 31, 2024: \$993,548). Overall BAF activity increased for the quarter compared to the corresponding period in 2024 and focused on executing the near and medium term UAE BAF strategy. Main cost variances relate to the following:
 - Depreciation expenses decreased to \$5,544 (December 31, 2024: \$271,864) because of the termination of the Port Louis lease on May 31, 2025, and the derecognition of the associated right-of-use asset.
 - BAF Evaluation costs increased to \$2,151,893 (December 31, 2024: \$Nil) related mainly to costs incurred for engineering consulting work completed for the BAF UAE and UAE establishment costs.
 - The termination of the Port Louis lease agreement and the withdrawal of the EIA permit means that it is unlikely to recover the VAT receivable in Mauritius. As a result, the VAT receivable was impaired by \$27,547 for the six months ended December 31, 2025 (December 31, 2024: \$Nil).
 - Finance cost decreased to \$Nil (December 31, 2024: \$695,923) and represent the implied financing charges related to the industrial lease for the Port Louis BAF site in Mauritius. With the cancellation of the lease there were no finance cost incurred for the six months ended December 31, 2025.
- General and administrative expenses decreased to \$3,475,789 for the six months ended December 31, 2025 (December 31, 2024: \$4,904,108), and relate to the following:
 - Payroll and management compensation fees decreased to \$1,734,827 (December 31, 2024: \$1,856,520) due to the severance and bonus retention costs that were incurred during Q2 2024 as part of the executives changes.
 - External consulting fees were reduced to \$130,212 (December 31, 2024: \$968,274). Management consulting fees were incurred for the six months ended December 31, 2024 and focused on the Molo Graphite Mine operational model, operational readiness and process improvements as well as the establishment of a logistics function for external sales. These fees were a one-off and were not incurred during the six months ended December 31, 2025.
 - Professional services and legal fees decreased to \$823,276 (December 31, 2024: \$1,045,346). Professional fees are comprised of professional advisory services as well as audit fees and recurring legal fees. For the six months ended December 31, 2024 the Company incurred executive search fees for senior leadership, and additional costs in advisory services associated with maintaining the executive team during the transition period.
 - Public company expenses decreased to \$104,616 (December 31, 2024: \$184,302) with a reduction in support services and subscriptions.
 - Corporate travel expenses decreased to \$239,950 (December 31, 2024: \$281,011) due to a decrease in international travel by executives in Q1 2025. Board and committee meetings were held online to reduce cost and bridge time zones as effectively as possible.
 - Insurance expenses marginally increased to \$53,755 (December 31, 2024: \$38,828) and is reflective of a higher premium for increased coverage. Additionally costs related to marine cargo insurance were incurred in the six months ended December 31, 2025 related to equipment shipment to the UAE.
 - Sales and marketing expenses decreased to \$Nil (December 31, 2024: \$64,989) as external advisors relating to the automotive industry (OEM) were reduced and the attendance of conferences limited.
 - Office and administration expenses increased to \$726,090 (December 31, 2024: \$464,838) relating to the licenses and implementation of Pronto Xi as ERP software. Information technology (IT) systems and connectivity specifically relating to the Molo Graphite Mine were upgraded during the 2025 financial year and we do not expect any further increases, but these expenses will be higher than the early quarters of the 2025 financial year.
- The remeasurement of restricted share units ("RSU") share-based compensation liability and the vesting of stock options granted, resulted in a loss of \$300,814 compared to a loss of \$189,365 in 2024. During the six months ended the Company issued 671,957 RSU as short-term incentives for non-executive employee, which vested and settled through share issuance on November 28, 2025 for \$166,826.
- Corporate depreciation represents depreciation associated with computer and office equipment. There was a depreciation charge of \$3,434 for the six months ended December 31, 2025 (December 31, 2024: \$4,411).
- Exploration and evaluation expenditures increased to \$13,755 for the six months ended December 31, 2025, (December 31, 2024: \$Nil) and relates to the timing of renewal of mineral claims in Canada.

NextSource Materials Inc.**Management's Discussion and Analysis****For the three and six months ended December 31, 2025, and 2024**

- There was no remeasurement gain or loss in the Commercial production obligation since June 30, 2025 (December 31, 2024: \$67,047) due to no change in the estimated commercial production date. Refer to *Molo Graphite Mine - Molo Phase 1 and Molo Expansion* under Outlook and Milestones.
- Loss of \$1,069,054 on the remeasurement of the Vision Blue royalty obligation (December 31, 2024: gain of \$1,013,943). The increase in the royalty obligation relates to the timing of the minimum payments. The minimum payments under the agreement have been offset against drawdowns on the Vision Blue drawdown credit facility. Minimum payments and the value of the liability were therefore governed by the drawdowns on the facility. In contrast, minimum payments for the six months ended December 31, 2025, were made from available cash balances and the private placement in Q2 2025.
- Foreign currency translation loss of \$36,677 (December 31, 2024: loss of \$746,140) relates to the remeasurement of foreign vendors and decreased mainly from the strengthening of the Canadian Dollar (from CAD\$1.44 in 2024 to CAD\$1.37 in 2025).
- Finance income represents interest on bank balances. Interest income decreased to \$45,480 (December 31, 2024: \$67,190) as the Company operated on a much lower average bank balance relative to the comparative 2024 period.
- Finance cost represents the interest and accretion on the Vision Blue drawdown credit facility and Vision Blue royalty for Q2 2026 of \$2,202,422 (December 31, 2024: \$Nil). Prior to the decision to utilize the Molo Phase 1 plant for campaign production, the borrowing costs were capitalized as assets-under-construction.
- Current income tax expense of \$528,203 (December 31, 2024: \$162,788) relate to an increase in withholding tax expense recorded for the six months ended in December 31, 2025 related to the credit facility with Vision Blue, and tax payable on import services and goods into Madagascar.
- Increase in other comprehensive loss due to a loss in the translation adjustment for the Madagascar foreign operations of \$1,665,400 (December 31, 2024: loss of \$1,548,558).

NextSource Materials Inc.

Management's Discussion and Analysis

For the three and six months ended December 31, 2025, and 2024

Financial Results for the three months ended December 31, 2025, and the comparative December 31, 2024, period.

	Three months ended December 31, 2025			Three months ended December 31, 2024		
	Mine	BAF	Total	Mine	BAF	Total
Revenues	\$ 132,397	\$ —	\$ 132,397	\$ 51,589	\$ —	\$ 51,589
Expenses						
Cost of Sales	253,542	—	253,542	31,286	—	31,286
General and administrative expenses	60,873	26,109	86,982	—	—	—
BAF Evaluation costs	—	2,151,893	2,151,893	—	—	—
Write-down of inventory to net realizable value	3,306,616	—	3,306,616	—	—	—
Exploration and evaluation expenses	14,004	—	14,004	4,890	—	4,890
Madagascar Government Royalties	4,461	—	4,461	—	—	—
Finance costs	11,303	—	11,303	43,698	352,814	396,512
Depreciation	—	3,041	3,041	—	137,344	137,344
Impairment of foreign VAT receivable	—	—	—	606,286	—	606,286
Realized foreign exchange loss (gain)	(142)	1,220	1,078	—	—	—
Unrealized foreign exchange loss	344,826	42	344,868	—	—	—
Segment loss	(3,863,086)	(2,182,305)	(6,045,391)	(634,571)	(490,158)	(1,124,729)
Other Operating Expenses						
General and administrative expenses			(1,633,934)			(2,225,326)
Share-based compensation			(151,091)			(285,145)
Depreciation			(1,534)			(2,231)
Exploration and evaluation expenses			(7,028)			—
Change in value of commercial production obligation			—			43,513
Realized foreign exchange loss			(9,967)			(344,418)
Unrealized foreign exchange loss			(28,101)			(273,113)
Finance cost			(1,231,546)			—
Finance income			16,256			13,421
Loss before income taxes			(9,153,299)			(4,008,151)
Current income tax expense			(289,624)			(85,174)
Net Loss			(9,442,923)			(4,093,325)
Other comprehensive income						
Items that will be reclassified subsequently to net loss						
Translation adjustment for foreign operations			(1,644,645)			(1,088,294)
Net loss and comprehensive loss			\$ (11,087,568)			\$ (5,181,619)

Management's Discussion and Analysis

For the three and six months ended December 31, 2025, and 2024

Discussion of the three months ended December 31, 2025, and the comparative December 31, 2024, period.

For the three months ended December 31, 2024, the Molo Graphite Mine was considered in commissioning and ramp-up. After the review conducted in Q3 2025, the decision was made to run the Molo Graphite Mine on campaign operation. Refer to *Molo Graphite Mine* under Outlook and Milestones.

Net loss and comprehensive loss increased to \$11,087,568 (December 31, 2024: \$5,181,619) due to the following:

- The Molo Graphite Mine segment loss increased to \$3,863,086 for the three months ended December 31, 2025 (December 31, 2024: \$634,571), and relate to the following:
 - For the three months ended December 31, 2025, the Molo Graphite Mine sold 136t (December 31, 2024: 37t) of SuperFlake® for \$132,397 (December 31, 2024: \$51,589) under the existing SuperFlake® offtake agreements with thyssenkrupp and the Japanese Partner.
 - Non-production cost of \$60,873 (December 31, 2024: \$Nil) was expensed during the care and maintenance or non-campaign production period for the three months ended December 31, 2025.
 - Inventory is carried at the lower of cost or net realizable value. With the low throughput capacity under the campaign mode of the Molo Graphite Mine and processing plant, the cost of production was more than the net realizable value as at June 30, 2025 and for the three months ended December 31, 2025. The net realizable value was calculated using the SuperFlake® inventory size distribution and Benchmark Mineral Intelligence FOB China reference price as at December 31, 2025. This resulted in the write-down of inventory of \$3,306,616 (December 31, 2024: \$Nil). In the prior year, continued ramp-up and commissioning costs of the Molo Graphite Mine and processing plant were capitalized to assets-under-construction until the end of Q3 2025. Capitalization ceased at the start of Q4 2025 as the decision was made to utilize the existing plant for campaign production. Accordingly, during the three months ended December 31, 2024, \$29,814 operating expenses were capitalized as commissioning and ramp-up costs under assets-under-construction.
 - The Madagascar VAT receivable is associated with the claim related to value-added tax paid on consumables and services in Madagascar to operate the Molo Graphite Mine. The VAT refunds are rarely made and accordingly the VAT receivable is impaired. Since this VAT relates to operating cost, the impairment of the VAT receivable of \$291,399 was capitalized as inventory cost for the three months ended December 31, 2025, and either resulted as a part of cost of sales or write-down of inventory to net realizable value. Impairment of the VAT receivable for the three months ended December 31, 2024, of \$606,286, was expensed as a period cost.
 - Depreciation expenses of \$764,672 were capitalized as the cost of inventory for the three months ended December 31, 2025. For the three months ended December 31, 2024, \$268,873 was capitalized as assets-under-construction during the commissioning and ramp-up phase of the Molo Graphite Mine and processing plant. There was no depreciation expensed as period costs for the three months ended December 31, 2025, or the three months ended December 31, 2024. The increase in depreciation cost between 2024 and 2025 is the result of depreciation of the Molo Graphite Mine and processing plant under campaign production, where previously the assets were not depreciated as assets-under-construction.
 - Exploration and evaluation expenditures increased to \$14,004 for three months ended December 31, 2025, (December 31, 2024: \$8,094) and this increase relates to the timing of renewal of mineral claims in Madagascar.
 - Royalties represent the 5% Madagascar Government Royalties levied on sales of SuperFlake® of \$4,461 (December 31, 2024: \$Nil).
 - Finance cost is accretion associated with the Antananarivo office lease and was expensed as a period cost for the three months ended December 31, 2025, due to the reduced activity associated with the non-campaign production days. Operation of the Molo Graphite Mine is dependent on the office as it performs most mine administrative functions and customs clearing for the purchases of all consumables. The expenses for 2025 are therefore \$11,303 (December 31, 2024: \$43,698).
 - The functional currency for the Madagascar subsidiaries is Malagasy Ariary. The Molo Graphite Mine and processing plant operations rely on imports, predominantly from South Africa. The realized and unrealized foreign exchange loss and gain represent changes of outstanding foreign vendor payments. Refer to note 24 of the Financial Statements for a breakdown of foreign currency exposure.

Management's Discussion and Analysis

For the three and six months ended December 31, 2025, and 2024

- BAF expenditures increased to \$2,182,305 for the three months ended December 31, 2025 (December 31, 2024: \$490,158). Overall BAF activity increased for the quarter compared to the corresponding period in 2024 focused on executing the near and medium term UAE BAF strategy. Main cost variances relate to the following:
 - Depreciation expenses decreased to \$3,041 (December 31, 2024: \$137,344) because of the termination of the Port Louis lease on May 31, 2025, and the derecognition of the associated right-of-use asset.
 - BAF Evaluation costs increased to \$2,151,893 (December 31, 2024: \$Nil) related mainly to costs incurred for engineering consulting work completed for the BAF UAE.
 - The termination of the Port Louis lease agreement and the withdrawal of the EIA permit means that it is unlikely to recover the VAT receivable in Mauritius. As a result, the VAT receivable was impaired by \$27,547 for the three months ended December 31, 2025 (December 31, 2024: \$Nil).
- General and administrative expenses slightly decreased to \$1,633,934 for the three months ended December 31, 2025 (December 31, 2024: \$2,225,326), and relate to the following:
 - Payroll and management compensation fees decreased to \$900,079 (December 31, 2024: \$1,062,277) due to the severance and bonus retention costs that were incurred during Q2 2025 as part of the executives changes.
 - External consulting fees reduced to \$64,960 (December 31, 2024: \$484,133). Management consulting fees were incurred for the three months ended December 31, 2024, and focused on the Molo Graphite Mine operational model, operational readiness and process improvements as well as the establishment of a logistics function for external sales. These fees were a one-off and were not incurred for the three months ended December 31, 2025.
 - Professional services and legal fees amounting to \$304,090 incurred for the three months ended December 31, 2025, are consistent with the comparative period (December 31, 2024: \$298,551). These costs include professional advisory services as well as audit fees and recurring legal fees.
 - Public company expenses incurred for three months ended December 31, 2025 of \$80,280 are in consistent with the comparative period(December 31, 2024: \$88,792).
 - Corporate travel expenses increased to \$177,578 (December 31, 2024: \$106,652) due to an increase of international travelling by executives to UAE for BAF evaluation.
 - Insurance expenses increased to \$34,638 (December 31, 2024: \$19,030) and is reflective of a higher premium for increased coverage. Additionally costs related to marine cargo insurance were incurred in the three months ended December 31, 2025, related to shipping equipment to the UAE.
 - Sales and marketing expenses decreased to \$Nil (December 31, 2024: \$31,921) as external advisors relating to the automotive industry (OEM) were reduced and the attendance of conferences limited.
 - Office and administration expenses increased to \$159,292 (December 31, 2024: \$133,970) as a result of the licenses for Pronto Xi as ERP software which was implemented in the last quarter of the 2025 financial year.
- The remeasurement of restricted share units ("**RSU**") share-based compensation liability and the vesting expense of the stock options granted in the three months ended December 31, 2025, resulted in a loss of \$151,091 compared to a loss of \$285,145 in 2024. The Company share price deteriorated from a close of CAD\$0.75 on December 27, 2024 to a close of CAD\$0.34 on December 24, 2025 whilst 25,000 RSU's vested for the three months ended December 31, 2024, compared to 671,957 RSU's that vested for three months ended December 31, 2025 and were related to short-term incentive for non-executive employees for \$166,826.
- Corporate depreciation represents depreciation associated with computer and office equipment. There was a depreciation charge of \$1,534 for the three months ended December 31, 2025 (December 31, 2024: \$2,231).
- Exploration and evaluation expenditures increased to \$7,028 for the three months ended December 31, 2025, (December 31, 2024: \$Nil) and relates to the timing of renewal of mineral claims in Canada.
- There was no remeasurement gain or loss in the Commercial production obligation since June 30,2025 (December 31, 2024: \$43,513) due to no change in the estimated commercial production date. Refer to *Molo Graphite Mine - Molo Phase 1 and Molo Expansion* under Outlook and Milestones.

NextSource Materials Inc.**Management's Discussion and Analysis****For the three and six months ended December 31, 2025, and 2024**

- Loss of \$60,963 on the remeasurement of the Vision Blue royalty obligation (December 31, 2024: gain of \$189,877). The increase in the royalty obligation relates to the timing of the minimum payments. The minimum payments under the agreement have been offset against drawdowns on the Vision Blue drawdown credit facility. Minimum payments and the value of the liability were therefore governed by the drawdowns on the facility. In contrast, minimum payments for the three months ended December 31, 2024, was made from the available cash balance and the subsequent private placement in Q2 2025.
- Foreign currency translation loss of \$38,068 (December 31, 2024: loss of \$617,531) decreased mainly from the weakening of the Canadian Dollar (from CAD\$1.44 in 2024 to CAD\$1.37 in 2025) and reduced activity during Q2 2025 with Molo Graphite Mine under campaign production.
- Finance income represents interest on bank balances. Interest income of \$16,256 is marginally higher than the comparative period (December 31, 2024: \$13,421) managed on similar cash balances.
- Finance cost represents the interest and accretion on the Vision Blue drawdown credit facility and Vision Blue royalty for the three months ended December 31, 2025 of \$1,231,546 (December 31, 2024: \$Nil). Prior to the decision to utilize the Molo Phase 1 plant for campaign production, the borrowing costs were capitalized as assets-under-construction.
- Current income tax expense of \$289,624 (December 31, 2024: \$85,174) relate to an increase in tax payable on import services and goods into Madagascar.
- Increase in other comprehensive loss due to a loss in the translation adjustment for the Madagascar foreign operations of \$1,644,645 (December 31, 2024: loss of \$1,088,294).

STATEMENT OF FINANCIAL POSITION***Cash and Cash Equivalents***

As of December 31, 2025, cash and cash equivalents were \$2,982,063 (December 31, 2024: \$3,281,768).

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

		As at December 31, 2025		As at June 30, 2025
Canada	\$	2,293,077	\$	2,460,621
Mauritius		196,752		333,442
Madagascar		492,234		487,705
Total Cash and Cash Equivalents	\$	2,982,063	\$	3,281,768

Amounts Receivable

As of December 31, 2025, amounts receivables were \$290,874 (June 30, 2025: \$483,449) and represent unsettled receivables for the sale of SuperFlake® and sales tax receivable in Canada. The amount is presented net of an impairment of VAT receivable of \$541,343 (June 30, 2025: \$1,599,832).

NextSource Materials Inc.**Management's Discussion and Analysis****For the three and six months ended December 31, 2025, and 2024**

Inventories

As of December 31, 2025, the carrying value of inventories was \$5,453,096 (June 30, 2025: \$6,013,127) and consisted of run-of-mine stockpiles, SuperFlake® and consumable materials that will be consumed during mining operations.

		As at December 31, 2025		As at June 30, 2025
Consumable materials	\$	2,088,378	\$	2,256,031
Run-of-mine (ROM) stockpile		1,387,610		1,451,654
Superflake® Graphite concentrate		1,977,108		2,305,442
Total Inventories	\$	5,453,096	\$	6,013,127

As at December 31, 2025, ROM stockpile was written down by \$20,469 (June 30, 2025: \$851,655) and the Superflake® Graphite Concentrate was written down by \$5,892,302 (June 30, 2025: \$2,835,501). Both amounts are reflected in the unaudited condensed interim consolidated statements of operations and comprehensive loss. The cost of inventories recognized as cost of sales for the three and six months ended December 31, 2025, was \$265,720 (December 31, 2024: \$Nil) and \$755,082 (December 31, 2024: \$974,143), respectively.

Prepaid Expenses

As of December 31, 2025, prepaid expenses were \$2,086,912 (December 31, 2024: \$862,789) and consisted of prepaid deposit rent for UAE BAF plant, insurance, services, and raw materials.

		As at December 31, 2025		As at June 30, 2025
Vendor Advances	\$	1,653,334	\$	275,446
Insurance & Services		433,578		587,343
Total Prepaid	\$	2,086,912	\$	862,789

Prepayments and Deposits

As of December 31, 2025, the carrying value of prepayments and deposits for assets was \$889,219 (June 30, 2025: \$889,184) and consists mainly of Port Louis security deposit paid which was still owing as at December 31, 2025 and as at June 30, 2025. This deposit will be repaid during Q3 and Q4 2026.

NextSource Materials Inc.

Management's Discussion and Analysis

For the three and six months ended December 31, 2025, and 2024

Property, Plant, and Equipment

As at December 31, 2025, the Company had additions of \$317,113 (June 30, 2025: \$16,808,900) and capitalized development costs of \$Nil (June 30, 2025: \$3,333,729). The additions for three months ended December 31, 2025 represent costs incurred related to the updated Molo Phase 2 expansion study.

In the comparative period ramp-up and commissioning costs of the Molo Graphite Mine and processing plant were capitalized until the end of Q3 2025. Capitalization ceased at the start of Q4 2025 as the decision was made to utilize the existing plant for campaign production. Accordingly, the capitalized Molo Graphite Mine plant costs were transferred from assets-under-construction to plant, and depreciation commenced.

	Property		Plant		Equipment		Right-of-use Assets	Assets Under Construction	Total			
As at June 30, 2024	\$	3,567,652	\$	7,886,795	\$	2,607,348	\$	21,091,718	\$	34,667,112	\$	69,820,625
Additions		226,424		163,242		146,951		—		16,272,283		16,808,900
Development costs		—		—		—		—		3,333,729		3,333,729
Transfers		—		32,264,210		—		—		(32,264,210)		—
Depreciation		(8,943)		(832,229)		(470,032)		(600,003)		1,246,369		(664,838)
Lease termination and write off		—		—		—		(12,939,442)		(4,089,318)		(17,028,760)
Impact of foreign exchange		19,194		1,158,179		5,342		42,599		(830,186)		395,128
As at June 30, 2025	\$	3,804,327	\$	40,640,197	\$	2,289,609	\$	7,594,872	\$	18,335,779	\$	72,664,784
Additions		—		153,376		—		161,583		2,154		317,113
Development costs		—		—		—		—		—		—
Transfers		(18,008)		2,910,359		—		108,829		(3,001,180)		—
Depreciation		(68,309)		(1,132,325)		(249,182)		(75,899)		—		(1,525,715)
Change in asset retirement		(344,253)		—		—		—		—		(344,253)
Impact of foreign exchange		(107,716)		(1,302,519)		(60,366)		(233,436)		111,334		(1,592,703)
As at December 31, 2025	\$	3,266,041	\$	41,269,088	\$	1,980,061	\$	7,555,949	\$	15,448,087	\$	69,519,226
Cost		3,821,774		41,962,064		3,397,173		7,903,596		18,335,779		75,420,386
Accumulated depreciation		(17,447)		(1,321,867)		(1,107,564)		(308,724)		—		(2,755,602)
As at June 30, 2025	\$	3,804,327	\$	40,640,197	\$	2,289,609	\$	7,594,872	\$	18,335,779	\$	72,664,784
Cost		3,367,494		43,644,899		3,296,912		7,822,992		15,448,087		73,580,384
Accumulated depreciation		(101,453)		(2,375,811)		(1,316,851)		(267,043)		—		(4,061,158)
As at December 31, 2025	\$	3,266,041	\$	41,269,088	\$	1,980,061	\$	7,555,949	\$	15,448,087	\$	69,519,226

As at December 31, 2025, the Company did not capitalize any evaluation costs related to its exploration and evaluation projects.

Finance costs that were capitalized as assets-under-construction for the three and six months ended December 31, 2025 related to:

- accretion of the royalty obligation of \$Nil (June 30, 2025: \$1,158,612).
- accretion of the commercial production obligation of \$Nil (June 30, 2025: \$66,006).
- accretion related to lease obligations of \$Nil (June 30, 2025: \$1,170,590), and
- interest and accretion related to the Vision Blue drawdown credit facility of \$Nil (June 30, 2025: \$227,975).

For the three and six months ended December 31, 2025, depreciation of \$764,672 (December 31, 2024: \$Nil) and \$1,516,737 (December 31, 2024: \$Nil) respectively, were capitalized as cost of inventory.

On June 2, 2025, the Company announced the relocation of the inaugural BAF Development Project from Mauritius to the Middle East. The Company decided to exercise its option to terminate the Port Louis lease agreement on May 31, 2025 and withdrew its EIA application at no further cost (Note 11). The carrying value of \$12,939,442 of the Port Louis right-of-use asset was derecognized and offset against the lease liability. Each remaining asset was evaluated separately, and certain capitalized studies and certain site-specific equipment linked to the Mauritius BAF facility of \$4,089,318 was written off as at June 30, 2025.

On December 1, 2025, the Company entered into a new lease agreement for a warehouse in Toliara and recognized an ROU asset and lease obligation of \$163,639 (Note 11). The lease obligation was calculated using an incremental borrowing rate of 11.5% based on initial term of 2 years. The lease payments are payable monthly in advance.

NextSource Materials Inc.

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For the three and six months ended December 31, 2025, and 2024

Exploration and Evaluation Expenditures

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

Accounts Payable and Accrued Liabilities

As of December 31, 2025, accounts payable and accrued liabilities were \$5,180,829 (June 30, 2025: \$4,962,951).

	As at December 31, 2025	As at June 30, 2025
Accounts payable	\$ 2,734,886	\$ 1,875,357
Accrued liabilities	2,445,943	3,087,594
Total accounts payable and accrued liabilities	\$ 5,180,829	\$ 4,962,951

Right-of-Use Lease Obligations

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

- On November 6, 2023, the Company signed a lease for an administrative office in Antananarivo 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 in advance.
- 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”). As of December 31, 2025, the carrying value of the lease obligation amounted to \$8,448,106 (June 30, 2025: \$8,648,128). This contract is for the hybrid solar and thermal power plant, owned and operated by CBE, and for the supply of all electricity to the Molo Graphite Mine. The lease obligation was calculated using an incremental borrowing rate of 13.8% based on an initial term of 20 years plus a renewal of 5 years. The ESA requires the Company to purchase a minimum energy output of 11,200,000 kWh per annum at a base tariff of \$0.09051 per kWh (2025: \$0.08830 per kWh) and subject to an annual 2.5% escalation which is equivalent to approximately \$1,013,727 per annum (June 30, 2025: \$989,002). 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. Variable lease payments amounting to \$717,130 were made during the six months ended December 31, 2025 (June 30, 2025: \$647,423). Total cash outflows made for six months ended December 31, 2025 for this lease was \$776,690 (June 30, 2025: \$1,005,002). For the six months ended December 31, 2025, no depreciation (June 30, 2025: \$63,627), and no accretion expense (June 30, 2025: \$1,170,590) were capitalized in relation to this lease as Assets-under-Construction.
- On December 1, 2025, the Company entered into a lease agreement for a warehouse in Toliara and recognized an ROU asset and lease obligation of \$163,639. The lease obligation was calculated using an incremental borrowing rate of 11.5% based on initial term of 2 years. The lease payments are payable monthly in advance.

The following table sets out the carrying amounts of lease obligations included in the unaudited 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	Toliara Lease	Total Obligations
As at June 30, 2024	\$ 12,420,137	\$ 8,482,539	\$ 301,233	\$ —	\$ 21,203,909
Finance costs	1,424,501	1,170,590	26,408	—	2,621,499
Lease payments	(863,384)	(1,005,002)	(143,839)	—	(2,012,225)
Remeasurement of lease liability	94,291	—	—	—	94,291
Lease termination (note 9)	(13,075,545)	—	—	—	(13,075,545)
Foreign exchange adjustments	—	—	(2,076)	—	(2,076)
As at June 30, 2025	\$ —	\$ 8,648,127	\$ 181,726	\$ —	\$ 8,829,853
Additions	—	—	—	163,639	163,639
Finance costs	—	576,669	8,312	1,472	586,453
Lease payments	—	(776,690)	(78,290)	(7,412)	(862,392)
Remeasurement of lease liability	—	—	—	—	—
Lease termination (note 9)	—	—	—	—	—
Foreign exchange adjustments	—	—	(3,777)	(4,870)	(8,647)
As at December 31, 2025	\$ —	\$ 8,448,106	\$ 107,971	\$ 152,829	\$ 8,708,906

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Right-of-Use Lease Obligations (continued)

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

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

	Port-Louis BAF Lease	CBE Power Facility Lease	Tana Office Lease	Toliara Lease	Total Obligations
Current portion of lease obligations	\$ —	\$ 1,194,319	\$ 107,971	\$ 80,460	\$ 1,382,750
Long-term portion of lease obligations	—	7,253,788	—	72,368	7,326,156
As at December 31, 2025	\$ —	\$ 8,448,107	\$ 107,971	\$ 152,828	\$ 8,708,906

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

	CBE Power Facility Lease	Tana Office Lease	Toliara Lease	Total Obligations
Within 12 months	\$ 1,194,319	\$ 107,971	\$ 80,460	\$ 1,382,750
Between 13 and 24 months	1,194,319	—	72,368	1,266,687
Between 25 and 36 months	1,194,319	—	—	1,194,319
Between 37 and 48 months	1,194,319	—	—	1,194,319
Between 49 and 60 months	1,194,319	—	—	1,194,319
Over 60 months	19,706,174	—	—	19,706,174
Total undiscounted lease obligations	\$ 25,677,769	\$ 107,971	\$ 152,828	\$ 25,938,568

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 three and six months ended December 31, 2025, the Company recognized short-term lease expenses of \$19,158 (December 31, 2024: \$22,741) and \$47,092 (December 2024: \$60,933) respectively, in the unaudited condensed interim consolidated statements of operations and comprehensive loss, respectively.

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Royalty obligation

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

- the Company received the initial royalty funding of \$8.0 million (less a \$1.5 million royalty financing fee) on June 28, 2021, and received the remaining \$3.0 million on August 17, 2022.
- beginning on the biannual period ending December 31, 2023, the Company must pay the greater of: (i) \$825,000 (the "Minimum Repayment") or (ii) 3% of the gross sales revenues from graphite concentrate sales (the "GSR"). Once Vision Blue has received cumulative royalty payments of \$16.5 million, the Minimum Repayment will cease, and the royalty will only be based on the GSR. The Company has the option at any time to reduce the GSR to 2.25% by paying \$20 million to Vision Blue. Each of the biannual Minimum Repayments can be deferred by 12 months, subject to accrued interest of 15% per annum. The royalty payments are subject to 15% withholding tax; and
- Vision Blue received a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide (" V_2O_5 ") from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V_2O_5 . The royalty payments are subject to 15% withholding tax.

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 13.80% 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 3.0% 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 December 31, 2025, the obligation was remeasured at \$11,440,731 (June 30, 2025: \$10,592,366).

		Total
As at June 30, 2024	\$	11,591,878
Accretion		1,578,580
Minimum repayments		(1,897,500)
Remeasurement		(680,592)
As at June 30, 2025	\$	10,592,366
Accretion		728,061
Minimum repayments		(948,750)
Remeasurement		1,069,054
As at December 31, 2025	\$	11,440,731

During the six months ended December 31, 2025, the obligation increased due to accretion of \$728,061 (December 31, 2024: \$738,088), and a remeasurement loss \$1,069,054 (December 31, 2024: gain of \$1,013,943), resulting from the deferral of the second bi-annual payment. This is offset by repayments made during the six months ended December 31, 2025, of \$948,750 (June 30, 2025: \$1,897,500).

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

		Total
Within 12 months	\$	2,846,250
Between 13 and 24 months		1,897,500
Between 25 and 36 months		1,897,500
Between 37 and 48 months		1,897,500
Between 49 and 60 months		1,897,500
Over 60 months		4,743,750
Total undiscounted minimum royalty payments	\$	15,180,000

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Borrowings

On January 30, 2025, the Company secured a drawdown credit facility of up to \$20,000,000 with Vision Blue. The proceeds of the facility, which is non-dilutive to shareholders, was used as it was needed to progress the Company's BAF strategy, support the continued development and growth of Molo Graphite Mine, and for general working capital purposes. The credit facility is available pursuant to up to four advances; each such advance shall be a maximum principal amount of \$5,000,000. Interest shall be payable at a rate of 15.0% per annum, compounding quarterly. From June 30, 2025, Vision Blue can call upon all outstanding advances, including accrued and unpaid interest, from the Company. The credit facility is secured by share pledges of the Company's investments in the subsidiaries in Madagascar and Mauritius and by guarantees from each of the subsidiaries that hold these assets and unsold inventory.

During the six months ended December 31, 2025, the Company received three advances from Vision Blue of \$12,500,000 (June 30, 2025: \$15,000,000) which were recognized net of transaction costs of \$93,439 (June 30, 2025: \$425,102) As at December 31, 2025, the outstanding amount of the loan is \$29,281,634 (June 30, 2025: \$15,437,022) and related interest and accretion of \$1,438,051 were recorded for the six months ended December 31, 2025 (December 31, 2024: \$Nil). The total outstanding amount became payable on demand as of June 30, 2025, therefore the full amount outstanding is included in current liabilities.

On February 9, 2026, the Company launched a "best-efforts" private placement of CAD\$24,999,987.50. Concurrently, the Company entered into an amended and restated loan facility with Vision Blue which increased the maximum capacity under the existing drawdown credit facility from \$30,000,000 to \$50,000,000. Drawdowns remain at the discretion of Vision Blue and there is no assurance that additional advances will be available to the Company under the Amended Facility. However, the Company expects that, at closing of the Offering, the Company and Vision Blue will enter into a consent agreement under which Vision Blue will commit to advancing \$5,000,000 under the Amended Facility subject to the satisfaction of certain conditions precedent and will extend the maturity date under the Amended Facility to the date that is 12 months and 1 day following the Closing Date. The amendment of the facility will result in the net working capital as at December 31, 2025, to change from a deficit of \$27,254,995 to a surplus of \$2,026,639 (Note 23 of the Financial Statements).

		Total
As at June 30, 2024	\$	—
Drawdowns		14,574,898
Interest and accretion		862,124
As at June 30, 2025	\$	15,437,022
Drawdowns		12,406,561
Interest and accretion		1,438,051
As at December 31, 2025	\$	29,281,634

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 Mine. Pursuant to the Agreements, a further cash payment of CAD\$1,000,000 is due within 30 days of the commencement of commercial production. On June 30, 2022, the Company recognized a provision of \$708,514 using a 13.8% discount rate based on an initial expectation of settlement on or around June 30, 2023. The provision was recorded at amortized cost and capitalized as property under property, plant, equipment, and development. The obligation is expected to be settled upon the declaration of commercial production of the Molo Graphite Mine.

On December 31, 2025, the obligation was remeasured to \$572,618 (June 30, 2025: \$536,127). During the six months ended December 31, 2025, the Company recognized no remeasurement gain or loss (December 31, 2024: gain of \$67,047), and accretion of \$36,309 (December 31, 2024: \$45,641) respectively. During the six months ended December 31, 2025 the Company recognized a foreign exchange loss of \$182 (December 31, 2024: gain of \$34,759).

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		Total
As at June 30, 2024	\$	707,850
Accretion		68,119
Remeasurement		(231,688)
Effect of foreign exchange		(8,154)
As at June 30, 2025	\$	536,127
Accretion		36,309
Remeasurement		—
Effect of foreign exchange		182
As at December 31, 2025	\$	572,618

Asset retirement obligations

The Company has recognized provisions for asset retirement obligations at its Molo Graphite Mine. The provision for these obligations is based on an independent third-party estimate. The estimate considered current disturbance 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 life-of-mine plan. Significant closure activities will include the demolition of the processing plant and infrastructure, land rehabilitation, water treatment and water treatment monitoring costs. The undiscounted closure and rehabilitation costs were estimated at \$4,220,535 as at December 31, 2025 (June 30, 2025: \$4,220,535).

		Total
As at June 30, 2024	\$	1,920,269
Accretion		90,720
Remeasurement		164,476
Effect of foreign exchange		16,721
As at June 30, 2025	\$	2,192,186
Accretion		34,329
Remeasurement		(344,253)
Effect of foreign exchange		(3,976)
As at December 31, 2025	\$	1,878,286

As of December 31, 2025, the present value of estimated future cash flows required to settle the Company's closure and decommissioning costs as of the reporting date was estimated at \$1,878,286 (June 30, 2025: \$2,192,186) using a long-term US Dollar risk-free interest rate of 2.47% (June 30, 2025: 2.31%).

NextSource Materials Inc.

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CASH FLOWS FROM OPERATING, INVESTING, AND FINANCING ACTIVITIES

The following are the Company's cash flows from operating, investing and financing activities for the for the six months ended December 31, 2025, and December 31, 2024:

	Six Months Ended December 31, 2025	Six Months Ended December 31, 2024
Operating activities		
Net loss and comprehensive loss	\$ (16,648,112)	\$ (6,897,025)
<i>Adjustments for non-cash items:</i>		
Depreciation of property, plant, equipment and development (note 9)	8,978	276,275
Income tax expense	528,203	162,788
Change in value of royalty obligations (note 12)	1,069,054	(1,013,943)
Change in value of lease obligations (note 11)	—	25,761
Change in value of commercial production obligation	—	(67,047)
Change in impairment of VAT receivable	27,547	1,013,356
Write-down of inventory to net realizable value	5,912,771	—
Unrealized foreign exchange loss	343,652	416,573
Finance cost	2,236,376	739,621
Share-based compensation expense	300,814	189,365
	(6,220,717)	(5,154,276)
<i>Change in working capital balances:</i>		
Increase in amounts receivable	161,118	(1,690,787)
Increase in inventories	(3,611,339)	(4,587,435)
Increase in prepaid expenses (note 7)	(1,235,879)	—
Increase in accounts payable and accrued liabilities	180,901	1,137,806
Net cash used in operating activities	(10,725,916)	(10,294,692)
Investing activities		
Increase in long-term prepayments and deposits	—	(3,571)
Additions to property, plant, equipment, and development (note 9)	(155,531)	(6,426,367)
Net cash used in investing activities	(155,531)	(6,429,938)
Financing activities		
Proceeds from issuance of common shares (note 17)	—	11,228,651
Common shares issuance costs (note 17)	—	(130,704)
Lease obligation principal and interest payments (note 11)	(861,548)	(852,654)
Repayment of royalty obligation (note 12)	(948,750)	(948,750)
Drawdown of borrowings (note 13)	12,500,000	—
Debt issuance cost (note 13)	(93,439)	—
Net cash provided by financing activities	10,596,263	9,296,543
Effect of exchange rate changes on cash and cash equivalents	(14,521)	(24,823)
Net decrease in cash and cash equivalents	(299,705)	(7,452,910)
Cash and cash equivalents, beginning of period	3,281,768	10,770,381
Cash and cash equivalents, end of period	\$ 2,982,063	\$ 3,317,471

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

Net cash used in operating activities increased to \$10,725,916 (December 31, 2024: \$10,294,692), mainly related to BAF evaluation costs, Molo Graphite Mine operating costs and corporate overhead. Net cash used in investing activities was \$155,531 (December 31, 2024: \$6,429,938) primarily due to costs capitalized for the Molo Phase 2 expansion study. For the six months ended December 31, 2024, additions represent the purchase of BAF equipment, Molo Graphite Mine construction and equipment costs, and the capitalization of commissioning and ramp-up costs.

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Net cash from financing activities increased to \$10,596,263 (December 31, 2024: \$9,296,543) consisting of the drawdown from the Vision Blue drawdown credit facility which are partially offset by Vision Blue minimum royalty payments.

OUTSTANDING SECURITIES

The Company's common shares trade on the TSX under the symbol "NEXT" and the OTCQB under the symbol "NSRCF". The Company's common shares have no par value, and the authorized share capital is composed of an unlimited number of common shares.

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

	As at December 31, 2025	As at June 30, 2025
Common shares issued and outstanding	185,583,064	184,911,107
Stock options	3,350,000	2,750,000
Restricted share units (RSUs)	7,103,570	800,000
Fully diluted common shares	196,036,634	188,461,107

Common Shares

As of December 31, 2025, the Company had 185,583,064 common shares issued and outstanding (June 30, 2025: 184,911,107). 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 three and six months ended December 31, 2025:

- (1) The Company recorded an increase in Share Capital of \$166,826 and corresponding decrease in Share-based compensation liability for 671,961 RSUs settled on November 28, 2025 related to short term incentives for non-executive employees (note 19).
- (2) The Company recorded an increase in Share Capital of \$168,755 for 600,000 stock options granted to the Directors of the Company on November 6, 2025. The grant date fair value of the options was CAD\$0.28 (Note 18).

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

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

In total the non-brokered private placement resulted in the issuance of 29,088,100 common shares of the Company at a price of CAD\$0.53 per share for an aggregate gross proceeds of \$11,228,651 (CAD\$15,416,693). The Company incurred issuance cost in total of \$130,704 for net proceeds of \$11,097,947. No changes occurred in the six months ended December 31, 2024.

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Stock Options

As of December 31, 2025, the Company had 3,350,000 stock options outstanding (June 30, 2025: 2,750,000) with a weighted average expiration of 6.16 years (June 30, 2025: 8.00 years) exercisable into 3,350,000 common shares (June 30, 2025: 2,750,000) at a weighted average exercise price of CAD\$0.73 (June 30, 2025: CAD\$0.89).

Grant Date	Vesting Date	Expiration Date	Exercise Price	As at			As at	
			CAD\$	June 30, 2025	Awarded	Cancelled	Exercised	December 31, 2025
May 28, 2024	November 1, 2027	May 27, 2034	0.89	1,000,000	—	—	—	1,000,000
December 1, 2024	December 1, 2027	December 1, 2034	0.89	950,000	—	—	—	950,000
December 1, 2024	December 1, 2025	December 1, 2032	0.89	200,000	—	—	—	200,000
December 1, 2024	December 1, 2024	December 1, 2029	0.89	600,000	—	—	—	600,000
November 6, 2025	November 6, 2025	November 6, 2030	0.54		150,000	—	—	150,000
November 6, 2025	November 6, 2025	November 6, 2030	0.54		150,000	—	—	150,000
November 6, 2025	November 6, 2025	November 6, 2030	0.54		150,000	—	—	150,000
November 6, 2025	November 6, 2025	November 6, 2030	0.54		150,000	—	—	150,000
Total Stock Options issued				2,750,000	600,000	—	—	3,350,000

On November 6, 2025, the Company granted 600,000 stock options exercisable at price CAD\$0.54 that vested on November 6, 2025. The options were valued at \$121,056 based on a risk-free rate of 2.39%, a term of 5 years, annualized volatility of 86.54% and a closing market price on December 31, 2025 of CAD\$0.34. These stock options vested on November 6, 2025, and the value of the options has been expensed in the three months ended December 31, 2025.

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

1. On December 1, 2024, the Company granted 950,000 stock options exercisable at a price of CAD\$0.89, that vest after 3 years. The options were valued at \$273,427 based on a risk-free rate of 4.08%, a term of 10 years, annualized volatility of 65.27% and a closing market price on the grant date of CAD\$0.58. These stock options will vest on December 1, 2027, and the value of the options will be expensed over the vesting period.
2. On December 1, 2024, the Company granted 200,000 stock options exercisable at a price of CAD\$0.89, that vest after 1 year. The options were valued at \$51,835 based on a risk-free rate of 4.08%, a term of 8 years, annualized volatility of 65.27% and a closing market price on the grant date of CAD\$0.58. These stock options will vest on December 1, 2025, and the value of the options will be expensed over the vesting period.
3. On December 1, 2024, the Company granted 600,000 stock options exercisable at a price of CAD\$0.89 that vest immediately. After 5 years the options will expire if not exercised. The options were valued at \$119,744 based on a risk-free rate of 4.08%, a term of 5 years, volatility of 65.27% and a closing market price on the grant date of CAD\$0.58. These stock options vested on December 1, 2024, and the value of the options was expensed immediately.

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Restricted Share Units (RSUs)

The Company account for the RSUs as cash-settled as the holder has the option to take the RSU amounts in cash or equity, subject to agreement by the Company. As at December 31, 2025 a RSU obligation of \$350,053 (June 30, 2025: \$89,707) was recorded to the share-based compensation liability.

	As at December 31, 2025	As at June 30, 2025
Current portion of RSU obligations	\$ 259,939	\$ 57,228
Long-term portion of RSU obligations	90,114	32,479
Total RSU Liability	\$ 350,053	\$ 89,707

Cash settled RSU obligations are remeasured at fair value based on the closing 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 Financial Statements.

As of December 31, 2025, the Company had 7,103,570 RSUs outstanding (June 30, 2025: 800,000) that are subject to satisfying their respective vesting conditions. The RSUs have a weighted average time until vesting of \$1.46 years (June 30, 2025: \$3.46 years).

Grant Date	Vesting Date	Expiration Date	Vesting	As at			As at December 31, 2025
				June 30, 2025	Awarded	Settled	
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	41,666	—	41,666	—
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	41,666	—	41,666	—
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	41,666	—	41,666	—
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	41,666	—	41,666	—
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
November 5, 2025	September 30, 2026	September 30, 2036	E	—	1,859,558	—	1,859,558
November 5, 2025	September 30, 2027	September 30, 2037	E	—	1,859,558	—	1,859,558
November 5, 2025	September 30, 2028	September 30, 2038	E	—	1,859,580	—	1,859,580
November 5, 2025	November 28, 2025	November 28, 2035	E	—	429,368	355,293	74,075
November 5, 2025	March 5, 2026	March 5, 2036	E	—	967,467	—	967,467
Totals				800,000	6,975,531	671,957	7,103,570

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

The following changes occurred during the six months ended December 31, 2025.

1. On September 30, 2024, a total of 25,000 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
2. On December 31, 2024, a total of 25,000 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
3. On February 1, 2025, a total of 41,667 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
4. On March 31, 2025, a total of 25,000 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
5. On May 1, 2025, a total of 41,667 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
6. On June 30, 2025, a total of 25,000 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
7. On August 1, 2025, a total of 41,667 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
8. On September 30, 2025, a total of 25,000 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
9. On November 1, 2025, a total of 41,667 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
10. On December 31, 2025, a total of 25,000 RSUs vested. The vested RSU's were settled through share issuance on November 28, 2025.
11. On November 5, 2025, a total of 429,368 RSU's were granted and vested on November 28, 2025. The vested RSU's were settled through share issuance on November 28, 2025.
12. On November 5, 2025, a total of 1,859,558 RSU's were granted through long-term incentive plan and will vest on September 30, 2026. Expiration date of September 30, 2036.
13. On November 5, 2025, a total of 1,859,558 RSU's were granted through long-term incentive plan and will vest on September 30, 2027. Expiration date of September 30, 2037.
14. On November 5, 2025, a total of 1,859,558 RSU's were granted through long-term incentive plan and will vest on September 30, 2028. Expiration date of September 30, 2038.
15. On November 5, 2025, a total of 967,467 RSU's were granted and will vest on March 5, 2026. Expiration date of March 5, 2036.

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

1. On September 30, 2024, a total of 25,000 RSUs vested. The vested RSU's were not settled.
2. On December 31, 2024, a total of 25,000 RSUs vested. The vested RSU's were not settled.
3. On March 31, 2025, a total of 25,000 RSUs vested. The vested RSU's were not settled.
4. On June 30, 2025, a total of 25,000 RSU's vested. The vested RSU's were not settled.

NextSource Materials Inc.**Management's Discussion and Analysis****For the three and six months ended December 31, 2025, and 2024**

RELATED PARTY TRANSACTIONS

Parties are related if one party has the direct or indirect ability to control or exercise significant influence over the other party in making operating and financial decisions. Parties are also related if they are subject to common control or common significant influence. Related parties include the Company subsidiaries, significant shareholders, and key management. Vision Blue is a significant shareholder of the Company and owns 47.51% of the Common Shares. Key management consists of the Board of Directors, Chief Executive Officer, Chief Financial Officer, and Senior Vice Presidents. Related parties also include companies controlled by key management. Related party transactions occur when there is a transfer of economic resources or financial obligations between related parties. Related party transactions in the normal course of business that have commercial substance are initially measured at fair value. Balances and transactions between the Company and its wholly owned subsidiaries have been eliminated and are not disclosed in this note.

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

	Six months ended December 31, 2025	Six Months Ended December 31, 2024	Three months ended December 31, 2025	Three Months Ended December 31, 2024
Payroll and benefits	\$ 1,025,059	\$ 742,048	\$ 567,116	\$ 218,432
Management consulting fees	—	194,125	—	101,125
Share-based compensation	300,814	189,365	151,091	285,145
	\$ 1,325,873	\$ 1,125,538	\$ 718,207	\$ 604,702

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

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

Related party transactions contained within	As at December 31, 2025	As at June 30, 2025
Amounts receivable	\$ 88,764	\$ 21,029
Current portion of Share-based compensation liability	259,939	57,228
Long-term portion of Share-based compensation liability	90,114	32,479
Borrowings from Vision Blue	29,281,634	15,437,022
Current portion of royalty obligations	2,846,250	1,897,500
Long term portion of royalty obligations	8,594,481	8,694,866

Amounts receivable is for short-term loans to assist with the exercise of stock options where applicable. 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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CAPITAL MANAGEMENT*Capital Management*

There were no changes in the Company's approach to capital management during the year ended December 31, 2025.

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 December 31, 2025, the Company had cash and cash equivalents of \$2,982,063 which is insufficient to fund its working capital requirements (including current liabilities of \$38,951,402) as well as ongoing general and administrative costs and anticipated capital and operating cash outflows. Refer to note 2 of the Financial Statements.

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 of the Financial Statements). Based on management's ability to manage its working capital and a strong and supportive shareholder base, the Company believes it will be able to satisfy its current and long-term obligations as they become due.

		As at December 31 2025		As at June 30, 2025
Current Assets:				
Cash and cash equivalents	\$	2,982,063	\$	3,281,768
Amounts receivable		290,874		483,449
Inventories		5,453,096		6,013,127
Prepayments and deposits		883,462	\$	—
Prepaid expenses		2,086,912		862,789
Total Current Assets	\$	11,696,407	\$	10,641,133
Current Liabilities:				
Accounts payable and accrued liabilities		5,180,829		4,962,951
Current portion of lease obligations		1,382,750		1,400,976
Current portion of royalty obligations		2,846,250		1,897,500
Share-based compensation liability		259,939		57,228
Borrowings (note 13)		29,281,634		15,437,022
Total Current Liabilities	\$	38,951,402	\$	23,755,677
Working Capital Deficit	\$	(27,254,995)	\$	(13,114,544)

On February 9, 2026, the Company launched a "best-efforts" private placement of 58,823,500 units of the Company at a price of \$0.425 per Unit for aggregate gross proceeds of CAD\$24,999,987.50. Concurrently, the Company entered into an amended and restated loan facility with Vision Blue which increased the maximum capacity under the existing drawdown credit facility from \$30,000,000 to \$50,000,000. Drawdowns remain at the discretion of Vision Blue and there is no assurance that additional advances will be available to the Company under the Amended Facility. However, the Company expects that, at closing of the Offering, the Company and Vision Blue will enter into a consent agreement under which Vision Blue will commit to advancing \$5,000,000 under the Amended Facility subject to the satisfaction of certain conditions precedent and will extend the maturity date under the Amended Facility to the date that is 12 months and 1 day following the Closing Date. The amendment of the facility will result in the net working capital as at December 31, 2025, to change from a deficit of \$27,254,995 to a surplus of \$2,026,639 (Note 23 of the Financial Statements).

Contractual Obligations and Commitments

The Company is subject to contractual commitments related to royalties, the term loan as well as a commercial production obligation.

Off-balance sheet arrangements

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Liquidity risk

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

- Accounts payable and accrued liabilities, which are generally due within 30 days.
- Minimum repayments under the royalty agreement that are due semi-annually on June 30 and December 31.
- Commercial production obligation that is due upon the declaration of commercial production at the Molo Graphite Mine.
- Lease payment obligations that are due annually.
- Vision Blue drawdown credit facility is an on-demand borrowing since June 30, 2025.

As of December 31, 2025, the Company had cash and cash equivalents of \$2,982,063 (June 30, 2025: \$3,281,768) to settle current liabilities of \$38,951,402 (June 30, 2025: \$23,755,677).

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 of the Financial Statements. Based on management's past ability to manage its working capital, the Company believes it will be able to satisfy its current and long-term obligations as they become due.

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

Credit risk

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

Interest rate risk

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

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Commodity price risks

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

Currency risk

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

As at December 31, 2025 the Company had the following balances in foreign currency:

		As at December 31, 2025	As at June 30, 2025
Cash and cash equivalents	CAD	\$ 230,398	\$ 198,261
Cash and cash equivalents	MGA	44,761	478,361
Cash and cash equivalents	MUR	107,407	156,404
Amounts receivable	CAD	44,455	56,176
Amounts receivable	MGA	243,713	(15,668)
Amounts receivable	MUR	21,029	—
Amounts receivable	ZAR	(7,876)	—
Prepaid expenses	CAD	80,954	131,784
Prepaid expenses	ZAR	—	—
Prepaid expenses	MGA	215,686	630,656
Accounts payable and accrued liabilities	CAD	(978,823)	(972,460)
Accounts payable and accrued liabilities	MGA	(1,774,148)	(2,197,248)
Accounts payable and accrued liabilities	MUR	31,273	111,749
Accounts payable and accrued liabilities	GBP	(22,680)	49,429
Accounts payable and accrued liabilities	ZAR	(75,330)	(169,873)
Accounts payable and accrued liabilities	EUR	(3,214)	—
Accounts payable and accrued liabilities	AED	(409,748)	—
Commercial production obligations	CAD	(572,618) \$	(536,127)
Current portion of lease obligations	MGA	(1,382,750) \$	(1,400,976)
Net foreign exchange exposure in USD		\$ (4,207,511)	\$ (3,479,532)
Impact of 10% increase in CAD/USD exchange rates	CAD	(\$119,563)	(\$112,236)
Impact of 10% increase in MGA/USD exchange rates	MGA	(\$265,274)	(\$250,488)
Impact of 10% increase in AED/USD exchange rates	AED	(\$40,975)	—
Impact of 10% increase in MUR/USD exchange rates	MUR	\$15,971	\$26,815
Impact of 10% increase in ZAR/USD exchange rates	ZAR	(\$8,321)	(\$16,987)
Impact of 10% increase in EUR/USD exchange rates	EUR	(\$321)	—
Impact of 10% increase in GBP/USD exchange rates	GBP	(\$2,268)	\$4,943
Total		\$ (420,751)	\$ (347,953)

NextSource Materials Inc.**Management's Discussion and Analysis****For the three and six months ended December 31, 2025, and 2024**

As at December 31, 2025, the Company estimated that a 10% decrease of the USD versus foreign exchange rates would result in a gain of \$420,751 (June 30, 2025: gain of \$347,953) and a 10% increase in the USD versus foreign exchange rates would result in a loss of \$420,751 (June 30, 2025: loss of \$347,953).

RISK FACTORS

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

SUMMARIZED QUARTERLY DATA

	Quarter Ended			
	December 31,	September 30,	June 30,	March 31,
	2025	2025	2025	2025
	\$	\$	\$	\$
Revenues	\$ 553,275	\$ 420,878	\$ 455,485	\$ 207,763
Exploration and evaluation expenses	50,078	29,046	19,545	3,740
General and administrative expenses	3,812,726	2,091,809	1,466,877	2,525,776
Net loss	(16,648,112)	(7,205,189)	(13,744,985)	(2,614,281)
Net loss and comprehensive loss	(18,313,512)	(7,225,944)	(12,056,974)	(2,221,843)
Net loss per share (basic and diluted)	(0.09)	(0.04)	(0.07)	(0.02)
Working capital deficit	(27,254,995)	(18,020,698)	(13,114,544)	(6,794,011)

	Quarter Ended			
	December 31,	September 30,	June 30,	March 31,
	2024	2024	2024	2023
	\$	\$	\$	\$
Revenues	\$ —	\$ —	\$ —	\$ —
Exploration and evaluation expenses	4,890	50,267	50,267	13,494
General and administrative expenses	2,225,326	2,516,681	2,516,681	1,597,376
Net loss	(4,093,325)	(3,277,808)	(3,277,808)	(1,184,253)
Net loss and comprehensive loss	(5,181,619)	(4,023,643)	(4,023,643)	(918,507)
Net loss per share (basic and diluted)	(0.02)	(0.03)	(0.03)	(0.01)
Working capital deficit	(215,576)	3,101,887	3,101,887	15,492,811

MATERIAL ACCOUNTING POLICY INFORMATION AND ACCOUNTING ESTIMATES

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

To prepare financial statements in conformity with IFRS Accounting Standards, the Company must make estimates, judgments and assumptions concerning the future that affect the carrying values of assets and liabilities as of the date of the Financial Statements and the reported values of revenues and expenses during the reporting period. By their nature, these are uncertain and actual outcomes could differ from the estimates, judgments, and assumptions. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods when the revision affects both current and future periods. Significant accounting judgments, estimates and assumptions are reviewed on an ongoing basis. The areas involving significant judgments, estimates and assumptions have been detailed in note 4 to the Company's audited consolidated financial statements for the year ended June 30, 2025.

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

QUALIFIED PERSON

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

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and processes

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

Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period ended December 31, 2025, that have materially affected, or are likely to materially affect, our internal control over financial reporting.

As of December 31, 2025, the end of the period covered by this MD&A, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2025, the end of the period covered by this MD&A, we maintained effective disclosure controls and procedures.

Management's Report on Internal Control Over Financial Reporting

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

Remediation of Material Weaknesses

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

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

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

Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of internal control over financial reporting using the criteria set forth in the *COSO Internal Control – Integrated Framework (2013)*. Based on the results of this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2025.

OTHER INFORMATION

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