



NextSource Materials Inc.

Management's Discussion and Analysis (MD&A)

For the three and nine months ended March 31, 2026, and 2025

Expressed in US Dollars

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A (as defined herein) 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 the UAE BAF (as defined herein) and potential 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 UAE BAF; the Company's efforts in securing a BAF partnership; 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 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 amended and restated annual information form of the Company, for the year ended June 30, 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 economically viable; 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 UAE BAF or other BAFs, such information and statements 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

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the market, industry and economic data and projections are accurate and that the estimates and assumptions are reasonable, but there can be no assurance as to their accuracy or completeness. The accuracy and completeness of the market, industry and economic data and projections in this MD&A are not guaranteed and the Company does not make any representation as to the accuracy or completeness of such information. For the avoidance of doubt, nothing stated in this paragraph operates to relieve the Company from liability for any misrepresentation contained in this MD&A under applicable Canadian securities laws.

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

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INTRODUCTION

This Management’s Discussion and Analysis (“**MD&A**”) dated May 8, 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 three and nine months ended March 31, 2026 and 2025 (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 *Q3 2026*, it will be consistent with the reporting period of the Company which corresponds to the calendar period January 1, 2026 to March 31, 2026, *and not* the calendar period July 1, 2026 to September 30, 2026.

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

1. 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.

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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 facility in the United Arab Emirates (“**UAE BAF**”).

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

On August 5, 2025, the Company and Mitsubishi Chemical Corporation (“**MCC**”), 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 original automotive equipment manufacturers (“**OEMs**”) 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 market factors that have caused delays in securing the required financing, the Company agreed with MCC, on March 3, 2026, to extend the timeline to satisfy the conditions precedent. The extension provides the Company additional flexibility through July 31, 2027, to satisfy financing, construction, commissioning and first production milestones for its planned UAE BAF. The Company’s recently completed C\$25 million private placement under the “listed issuer financing exemption” (the “**LIFE Offering**”), the net proceeds of which are expected to be used to advance the completion of detailed engineering, site development and the project financing process for the UAE BAF.

During the quarter, the Company entered into a seven-year binding supply agreement with Syrah Resources for graphite concentrate feedstock to support the UAE BAF. The agreement is conditional on the BAF achieving commercial production and on successful qualification of Syrah’s material by both NextSource and its downstream customer, with pricing referenced to an independent graphite fines index. The arrangement forms part of the Company’s strategy to secure diversified and flexible feedstock sources alongside Molo, particularly as expected demand from Mitsubishi Chemical and a second major Japanese anode producer is anticipated to fully utilise Phase 1 BAF capacity. The Company continues to prioritise SuperFlake® from Molo as its primary feedstock and maintains sufficient inventory to meet existing offtake commitments well into 2028.

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 planned 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 additional deliveries made to customers since January 2025. The Molo Graphite Mine is currently operating in campaign mode.

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 sales 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 PG for anode active material (“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 anode 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 has initiated development of a large-scale BAF in the Middle East.

The Offtake Agreement is a catalyst for the construction of a BAF and requires the supply of approximately 9,000 tonnes per annum of AAM over a multi-year period. The Company intends to advance development of the BAF in the UAE instead of the previously announced location of Mauritius. Factors such as permitting and operating cost 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 Company and secure capacity for the offtaker.

The Company’s near and medium-term objectives for developing the UAE BAF is:

- completing the front-end engineering design for the UAE BAF to support a final investment decision on the project with a target completion date in Q4 2026;
- concluding the Company’s strategic partner process and securing the associated financing required for construction of the UAE BAF with a target completion date early in Q4 2026; and
- finalizing the Molo Graphite Mine 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 late Q4 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 the nine months ended March 31, 2026, the Company delivered on several 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”);
- completing the first shipment of long-lead items for the UAE BAF to Abu Dhabi; and
- executing a letter of intent with Hanwa Co., Ltd. (“Hanwa Co.”) (a Japanese trading company) and Japan Organization for Metals and Energy Security (a Japanese government agency) for a potential project-level equity investment of up to US\$30 million into the UAE BAF.

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.

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.

2. OUTLOOK AND MILESTONES

The Company's financial position and future development are primarily driven by the advancement of its proposed BAF in the UAE and its ability to secure the necessary strategic and project financing to support such development. While the Molo Graphite Mine and the proposed expansion represent a separate asset base, the timing of expansion activities, including the completion of an NI 43-101 feasibility study, is influenced by broader commercial and capital allocation considerations, including visibility on downstream demand.

During Q3 2026, geopolitical developments, including the ongoing conflict involving Iran, have introduced increased regional uncertainty in the UAE. This has affected the timing and progression of discussions with potential financing and strategic partners for the BAF and represents the principal factor influencing the Company's ability to advance toward a final investment decision within previously anticipated timelines.

In response to this uncertainty, the Company has adopted a disciplined approach to the sequencing of its development activities. The timing of the Molo Graphite Mine expansion study has been deferred relative to prior expectations, reflecting the Company's focus on aligning capital deployment with visibility on downstream demand and project advancement.

The Company continues to advance discussions with potential financing and strategic partners for the UAE BAF and will assess the timing of development activities in the context of market conditions, financing progress and regional developments.

Liquidity and Capital Resources

On February 24, 2026, the Company completed the LIFE Offering and, in conjunction with amendments to its credit drawdown facility with its largest shareholder, established a capital structure intended to provide sufficient liquidity to advance its near-term business objectives. These include progression of the UAE BAF toward a final investment decision, advancement of the Molo Graphite Mine expansion study, and funding of working capital requirements, including continued campaign production at the Molo Graphite Mine and corporate overhead.

The credit drawdown facility, which had been fully drawn at \$30 million in January 2026, was amended in connection with the LIFE Offering to defer repayment for a period of 12 months and one day from closing of the LIFE Offering and to increase the total facility size to \$50 million. Of the incremental \$20 million, \$5 million is available for drawdown, with any additional amounts subject to the sole discretion of Vision Blue Resources Limited ("**Vision Blue**"). The amended facility also introduced financial covenants, including a minimum cash balance, forecasted liquidity requirements and a debt-to-equity ratio.

Subsequent to the completion of the LIFE Offering, geopolitical developments, including the outbreak of conflict involving Iran on February 28, 2026, have introduced increased regional uncertainty in the UAE. This has affected the timing and progression of discussions with potential financing and strategic partners for the BAF.

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As a result, while the Company continues to maintain sufficient liquidity to meet its current obligations and planned expenditures, the timing of advancement of the UAE BAF and the sequencing of related development activities, including the Molo Graphite Mine expansion study, have been adjusted relative to prior expectations. The Company is managing the deployment of capital in a measured manner to align with evolving project timelines and external conditions.

On February 3, 2026, the Company entered into a non-binding letter of intent with Hanwa Co. and Japan Organization for Metals and Energy Security in respect of the UAE BAF, which contemplates the potential provision of equity financing of up to \$30 million. The proposed financing remains subject to the negotiation and execution of definitive agreements, completion of due diligence and customary conditions, and there can be no assurance that such financing will be secured on the terms contemplated, or at all. The Company considers this potential financing as part of its broader funding alternatives for the UAE BAF and continues to advance discussions with the counterparty in the context of project development.

The Company also maintains an existing mandate letter with the IFC in respect of potential financing for the expansion of the Molo Graphite Mine. While engagement with the IFC continues, including the progression of certain due diligence activities, the timing of these discussions is aligned with the advancement of the UAE BAF and the updated scope and timing of the Molo Graphite Mine expansion study.

Operations

The Molo Graphite Mine is currently operated on a campaign production basis. This approach is intended to manage operating costs while maintaining operational readiness, supporting product qualification and preserving the Company's social license to operate. Existing inventory and campaign production continue to support customer engagement and downstream qualification activities, including for the proposed UAE BAF.

The development of the UAE BAF remains the Company's primary strategic focus and value driver. The Company has secured a site within ICAD, an industrial free zone with expedited permitting, and has completed a study confirming a phased development approach, with an initial capacity of approximately 14,000 tpa of anode active material. Long-lead equipment has been received, and the Company is advancing engineering and financing workstreams in preparation for a final investment decision.

The Company's strategy is to advance an integrated graphite value chain, with the UAE BAF representing the primary driver of long-term value creation. In this context, the Company is prioritizing the advancement and financing of the UAE BAF while maintaining the Molo Graphite Mine in a state of operational readiness. The Company does not intend to materially expand upstream production ahead of downstream demand visibility and will continue to align the timing of mine expansion with the development of the UAE BAF and related commercial arrangements.

3. RESULTS OF OPERATIONS

The Company's results for the three and nine months ended March 31, 2026 reflect its current operating strategy and stage of development. The Molo Graphite Mine is operated on a campaign production basis, with production focused on maintaining operational readiness, supporting customer qualification and preserving optionality, while the Company advances the financing and development of the UAE BAF. As a result, production and sales volumes in the current period are not intended to represent steady-state operations.

The Company's results were also significantly impacted by the transition from commissioning and ramp-up in the comparative period to campaign production in the current period. This transition has resulted in changes to the recognition and presentation of costs, including the expensing or capitalization of production costs through inventory, the commencement of depreciation of the Molo Graphite Mine and processing plant, and the write-down of inventory to net realizable value.

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Financial Results for the nine months ended March 31, 2026 and 2025

For the nine months ended March 31, 2026, net loss increased to \$22.5 million from \$9.5 million in the comparative period, while net loss and comprehensive loss increased to \$19.2 million from \$10.7 million. The increase was primarily driven by an \$8.2 million write-down of inventory to net realizable value, \$4.3 million of BAF evaluation costs, and higher finance costs following the transition from capitalization of borrowing costs during commissioning and ramp-up to expensing under campaign production. These items were partially offset by lower general and administrative expenses and foreign currency translation gains on the Company’s Madagascar operations.

The following table presents selected consolidated financial information for the periods indicated and should be read in conjunction with the Company’s Financial Statements and related notes.

	2026	2025
Molo Graphite Mine		
Revenue	\$ 694,289	\$ 259,352
Cost of sales	(1,017,304)	(349,446)
Inventory write-down to net realizable value	(8,201,787)	—
UAE BAF		
BAF Evaluation costs	(4,309,511)	—
Corporate and Other		
General and administrative expenses	(4,786,282)	(7,429,884)
Share-based compensation	(570,422)	(52,260)
Finance cost	(3,600,574)	(291,685)
Change in value of royalty obligations	492,895	1,867,234
Change in value of warrant liability	(61,742)	—
Realized and unrealized foreign exchange impacts	581,918	(529,516)
Income tax expense	(920,952)	(262,740)
Net loss	(22,476,041)	(9,511,306)
Translation adjustment for foreign operations	3,277,979	(1,156,120)
Net loss and comprehensive loss	(19,198,062)	(10,667,426)

Molo Graphite Mine

Revenue increased to \$0.69 million (March 31, 2025: \$0.26 million), reflecting sales of 743 tonnes of SuperFlake® (March 31, 2025: 408 tonnes) under existing offtake agreements. Variability in production and shipment volumes reflects the Company’s campaign-based operating model rather than steady-state production.

Cost of sales increased to \$1.0 million (March 31, 2025: \$0.35 million), reflecting the expensing of production costs under campaign operations, compared to the prior period where a significant portion of operating and borrowing costs were capitalized as assets under construction during commissioning and ramp-up.

The Company recorded an inventory write-down of \$8.2 million to net realizable value (“**NRV**”) during the period (March 31, 2025: \$nil). NRV is determined with reference to Benchmark Mineral Intelligence Free On Board China (“**FOB China**”) pricing, adjusted for product specifications and logistics.

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Cost of sales is based on inventory measured at NRV and therefore reflects the carrying value of inventory rather than the full economic cost of production. During the period, realized sales prices did not fully offset cost of sales. This reflects the Company's current commercial strategy, which is focused on product qualification and establishing long-term customer relationships, rather than optimizing near-term margins.

Sales during the period were primarily directed toward non-battery applications and were limited to larger flake size distributions, as a significant portion of production, including approximately 45% of the flake size mix, is being strategically stockpiled at the Port of Toliara for future use in the proposed UAE BAF. In order to support customer qualification and market development, the Company has elected to sell available material at prices that may be below benchmark FOB China reference pricing. These conditions, together with variability in flake size distribution associated with campaign production, have contributed to realized sales prices not fully offsetting cost of sales.

The Company expects that the current stockpiled inventory will form a key component of the feedstock for the UAE BAF. Advancement of the UAE BAF toward a positive final investment decision is expected to enhance the value realization of this inventory as it is directed into higher-value downstream applications.

UAE BAF

UAE BAF evaluation costs were \$4.3 million for the nine months ended March 31, 2026 (March 31, 2025: \$nil), reflecting increased activity in advancing the Company's UAE BAF strategy. Expenditures during the period primarily relate to engineering studies, project development activities and establishment costs associated with progressing the UAE BAF toward a final investment decision.

In the comparative period, BAF-related expenditures were limited and primarily related to permitting activities associated with the previously contemplated Mauritius BAF. Following the Company's strategic shift to the UAE, no further material costs were incurred in respect of the Mauritius project. The current period therefore reflects the advancement of the UAE BAF as the Company's primary downstream development initiative.

The increase in BAF evaluation costs is consistent with the Company's strategy to develop an integrated graphite value chain, with the UAE BAF representing the primary driver of long-term value creation. These costs are project-specific and strategic in nature, primarily relating to front-end engineering and design activities for the initial 14,000 tpa anode active material facility. This work is intended to advance the technical definition of the project and support due diligence processes for potential strategic and financing partners as the Company progresses toward a final investment decision.

Corporate and Other

Corporate general and administrative expenses decreased to \$4.8 million for the nine months ended March 31, 2026 (March 31, 2025: \$7.4 million). The reduction reflects a deliberate shift in the Company's cost structure following the transition to a campaign-based operating model at the Molo Graphite Mine and a broader focus on preserving liquidity. In the current period, the Company has prioritized capital allocation toward advancing the UAE BAF and maintaining operational readiness at Molo Graphite Mine, while reducing discretionary expenditures and eliminating non-recurring costs incurred in the prior period.

Share-based compensation increased to \$0.6 million (March 31, 2025: \$0.1 million), primarily due to the issuance and vesting of restricted share units during the period. The use of equity-based compensation forms part of the Company's approach to managing liquidity, enabling the retention and incentivization of employees while limiting cash outflows and preserving capital for project development activities.

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Finance costs increased to \$3.6 million (March 31, 2025: \$0.3 million), reflecting the Company's reliance on its credit drawdown facility with Vision Blue to fund ongoing operations and development activities following the transition in operating strategy. Borrowing costs were expensed in the current period, compared to the prior period where such costs were capitalized during commissioning and ramp-up. The increase also reflects the full utilization of the Initial \$30M Initial Facility during the period.

The Company recognized a gain of \$0.5 million on the remeasurement of its royalty obligation (March 31, 2025: \$1.9 million gain), reflecting changes in the expected timing of minimum payments under the royalty arrangement with Vision Blue. The timing of such payments is being managed in the context of ongoing engagement with the Vision Blue and the Company's broader liquidity position.

The Company recorded a loss of \$0.1 million (March 31, 2025: \$nil) related to the remeasurement of the warrant derivative liability associated with the LIFE Offering completed during the period. The warrants are classified as a derivative liability and are remeasured at fair value at each reporting date, with changes in fair value recognized in net loss. The remeasurement loss in the current period reflects changes in the Company's share price and other valuation inputs and is non-cash in nature.

Foreign exchange gain of \$0.6 million (March 31, 2025: \$0.5 million loss) relate primarily to the remeasurement of non-functional currency monetary assets and liabilities, including USD-denominated balances within the Company's Madagascar operations, whose functional currency is the Malagasy Ariary.

Income tax expense increased to \$0.9 million (March 31, 2025: \$0.3 million), primarily reflecting withholding taxes on interest associated with the Company's credit facility as well as withholding taxes on services provided by non-resident contractors in Madagascar.

Other comprehensive income reflects a translation gain of \$3.3 million (March 31, 2025: \$1.2 million loss), arising from the translation of the Company's Madagascar operations from Malagasy Ariary to USD, driven by movements in exchange rates between these currencies during the period.

Financial Results for the three months ended March 31, 2026 and 2025

Net loss for the three months ended March 31, 2026 increased to \$5.8 million from \$2.6 million in the comparative period, while net loss and comprehensive loss decreased to \$0.9million from \$2.2million, primarily due to a foreign currency translation gain on the Company's Madagascar operations.

The increase in net loss was primarily driven by a \$2.3million write-down of inventory to net realizable value, \$2.2 million of BAF evaluation costs, and higher finance costs, partially offset by lower corporate general and administrative expenses.

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The following table presents selected consolidated financial information for the periods indicated and should be read in conjunction with the Company's Financial Statements and related notes.

	2026	2025
Molo Graphite Mine		
Revenue	\$ 141,014	\$ 207,763
Cost of sales	(250,238)	(318,160)
Inventory write-down to net realizable value	(2,289,016)	—
UAE BAF		
BAF Evaluation costs	(2,157,618)	—
Corporate and Other		
General and administrative expenses	(1,310,493)	(2,525,776)
Share-based compensation	(269,608)	137,105
Finance cost	(1,398,152)	(291,685)
Change in value of royalty obligations	1,561,949	853,291
Change in value of warrant liability	(61,742)	—
Realized and unrealized foreign exchange impacts	951,029	216,624
Income tax expense	(392,749)	(99,952)
Net loss	(5,827,929)	(2,614,281)
Translation adjustment for foreign operations	4,943,379	392,438
Net loss and comprehensive loss	(884,550)	(2,221,843)

Molo Graphite Mine

Revenue decreased to \$0.14 million (March 31, 2025: \$0.21 million), reflecting sales of 237 tonnes (March 31, 2025: 371 tonnes), consistent with variability in campaign production and shipment timing.

Cost of sales decreased to \$0.25 million (March 31, 2025: \$0.32 million), reflecting lower sales volumes. Cost of sales is based on inventory measured at NRV and therefore reflects the carrying value of inventory rather than the full economic cost of production.

The Company recorded an inventory write-down of \$2.3 million (March 31, 2025: \$nil), reflecting elevated unit costs associated with low production throughput under the campaign production model and the absence of economies of scale.

As in the nine-month period ended March 31, 2026, realized sales prices did not fully offset cost of sales. This reflects the Company's current commercial approach, including product qualification activities, the sale of larger flake size distributions for non-battery applications, and the continued stockpiling of finer flake material for future use in the BAF.

Battery Anode Facility

BAF evaluation costs were \$2.2 million (March 31, 2025: \$nil), reflecting continued advancement of engineering and development activities associated with the UAE BAF.

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In the comparative period, BAF-related expenditures were limited and primarily related to permitting activities associated with the previously contemplated Mauritius BAF. Following the Company's strategic shift to the UAE, no further material costs were incurred in respect of the Mauritius project.

These costs are project-specific and strategic in nature, primarily relating to front-end engineering and design activities for the initial 14,000 tpa anode active material facility, and are intended to support technical definition and engagement with potential strategic and financing partners.

Corporate and Other

Corporate general and administrative expenses decreased to \$1.3 million (March 31, 2025: \$2.5 million), reflecting continued cost discipline and the absence of non-recurring expenditures incurred in the prior period.

Share-based compensation increased to \$0.3 million (March 31, 2025: \$0.1 million gain), reflecting the vesting of restricted share units during the period as part of the Company's approach to managing liquidity and preserving cash resources.

Finance costs increased to \$1.4 million (March 31, 2025: \$0.3 million), reflecting the Company's reliance on its credit drawdown facility with its largest shareholder to fund operations and development activities.

The Company recognized a gain of \$1.6 million on the remeasurement of its royalty obligation (March 31, 2025: \$0.9 million gain), reflecting changes in the expected timing of minimum payments under the royalty arrangement.

The Company recorded a loss of \$0.1 million (March 31, 2025: \$nil) related to the remeasurement of the warrant derivative liability associated with the LIFE Offering. The warrants are remeasured at fair value at each reporting date, with changes in fair value recognized in net loss. The loss reflects changes in market inputs during the period and is non-cash in nature.

Foreign exchange gain of \$1.0 million (March 31, 2025: \$0.2 million) relate primarily to the remeasurement of non-functional currency monetary balances within the Company's Madagascar operations.

Income tax expense increased to \$0.4 million (March 31, 2025: \$0.1 million), primarily reflecting withholding taxes on services provided by non-resident contractors in Madagascar and interest on the Company's credit facility.

Other comprehensive income reflects a translation gain of \$4.9 million (March 31, 2025: \$0.4 million), arising from the translation of the Company's Madagascar operations from Malagasy Ariary to USD.

4. SUMMARIZED QUARTERLY RESULTS

The Company's quarterly results over the periods presented reflect a transition in operating and development activities at the Molo Graphite Mine and the advancement of the Company's BAF strategy.

During the quarter ended March 31, 2025, the Company was in a ramp-up and commissioning phase at the Molo Graphite Mine, during which a significant portion of costs were capitalized. In subsequent quarters, following the shift to campaign production, costs have been recognized through inventory, with lower throughput levels resulting in a mismatch between production costs and recoverable values. This has led to recurring inventory write-downs to net realizable value.

Variability in quarterly results has also been influenced by changes in the level of BAF-related activities. Following a period of limited advancement, the signing of the MCC offtake agreement resulted in increased engineering, evaluation and development activities, with related expenditures recognized in the statement of operations.

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In addition, fluctuations in the Company's financial position between quarters reflect financing activities, including equity issuances and drawdowns under the Company's credit facility, which have supported ongoing operations and development initiatives.

	Quarter Ended			
	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025
Revenues	\$ 141,014	\$ 132,397	\$ 420,878	\$ 455,485
Cost of sales	(250,238)	(253,542)	(513,524)	(2,736,355)
Inventory write-down to net realizable value	(2,289,016)	(3,306,616)	(2,606,155)	(3,687,157)
BAF Evaluation costs	(2,157,618)	(2,151,893)	—	—
General and administrative expenses	(1,664,565)	(1,720,917)	(2,091,809)	(1,466,877)
Net loss	(5,827,929)	(9,442,923)	(7,205,189)	(13,744,987)
Net loss and comprehensive loss	(884,550)	(11,087,568)	(7,225,944)	(12,056,976)
Net loss per share (basic and diluted)	(0.03)	(0.05)	(0.04)	(0.07)
Working capital deficit	\$ (16,063,400)	(27,254,995)	(18,909,916)	(13,114,544)

	Quarter Ended			
	March 31, 2025	December 31, 2024	September 30, 2024	June 30, 2024
Revenues	\$ 207,763	\$ 51,589	\$ —	\$ —
Cost of sales	(318,160)	(31,286)	—	—
Inventory write-down to net realizable value	—	—	—	—
BAF Evaluation costs	—	—	—	—
General and administrative expenses	(2,525,776)	(2,225,326)	(2,678,782)	(2,516,681)
Net loss	(2,614,281)	(4,093,325)	(2,803,700)	(3,277,808)
Net loss and comprehensive loss	(2,221,843)	(5,181,619)	(3,263,964)	(4,023,643)
Net loss per share (basic and diluted)	(0.01)	(0.02)	(0.02)	(0.03)
Working capital deficit	(6,794,011)	(215,576)	(7,995,785)	3,101,887

5. FINANCIAL CONDITION AND LIQUIDITY

The Company's financial condition and liquidity position are primarily driven by its ability to fund ongoing operations at the Molo Graphite Mine and to advance the development of the UAE BAF. During the nine months ended March 31, 2026, the Company strengthened its liquidity through the completion of the LIFE Offering and amendments to its credit drawdown facility with Vision Blue.

The Company is currently operating the Molo Graphite Mine on a campaign production basis, which is intended to manage operating costs while maintaining operational readiness, supporting customer qualification and preserving optionality ahead of the development of the UAE BAF. As a result, the Company continues to incur operating cash outflows, which are funded through a combination of available cash resources and financing arrangements.

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The following table outlines the Company’s net working capital balance as at March 31, 2026 and June 30, 2025:

	As at March 31, 2026	As at June 30, 2025
Current Assets:		
Cash and cash equivalents	\$ 16,442,927	\$ 3,281,768
Amounts receivable	414,067	483,449
Inventories	6,147,855	6,013,127
Prepaid expenses and deposits	3,368,283	862,789
Total Current Assets	\$ 26,373,132	\$ 10,641,133
Current Liabilities:		
Accounts payable and accrued liabilities	5,189,275	4,962,951
Current portion of lease obligations	1,389,389	1,400,976
Current portion of royalty obligations	948,750	1,897,500
Share-based compensation liability	213,276	57,228
Warrant liabilities	2,000,943	—
Borrowings	32,694,899	15,437,022
Total Current Liabilities	\$42,436,532	\$23,755,677
Working Capital Deficit	\$ (16,063,400)	\$ (13,114,544)

As at March 31, 2026, the Company had cash and cash equivalents of \$16.4 million, compared to \$3.3 million as at June 30, 2025. The increase reflects the completion of the LIFE Offering during the period, partially offset by cash used in operating and investing activities.

The Company reported a working capital deficit of \$16.1 million as at March 31, 2026 (June 30, 2025: \$13.1 million). The deficit primarily reflects the classification of borrowings under the Company’s credit drawdown facility as current liabilities.

In connection with the LIFE Offering, the credit facility was amended from an on-demand facility to a term facility with repayment deferred for a period of 12 months and one day from closing. However, as the amended maturity date falls within 12 months of the March 31, 2026 reporting date, the borrowings remain classified as current liabilities in accordance with IFRS, which negatively impacts the reported working capital position.

Notwithstanding this classification, the amendment to the facility provides the Company with additional certainty over the timing of repayment and supports its near-term liquidity position. As a result, the Company’s liquidity position is not fully reflected by its working capital deficit and should be considered in the context of the amended terms of the credit facility.

Prepaid expenses and deposits increased to \$3.4 million as at March 31, 2026 (June 30, 2025: \$0.9 million), and includes vendor advances of \$1.8 million to secure an industrial building in the Industrial City of Abu Dhabi (“ICAD”) for the Company’s planned UAE BAF, and an increase of \$0.7 million reflecting the reclassification of a deposit previously recognized as a non-current asset. The deposit relates to the previously contemplated Mauritius BAF site, is expected to be recovered within the next six months and has therefore been classified as a current asset.

Inventory as at March 31, 2026 was \$6.1 million (June 30, 2025: \$6.0 million), representing a significant component of the Company’s current assets. The inventory balance primarily comprises SuperFlake® graphite produced from campaign operations at the Molo Graphite Mine.

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A portion of this inventory, including finer flake size material, is being strategically stockpiled at the Port of Toliara for future use as feedstock for the proposed UAE BAF. This approach reflects the Company’s development strategy of aligning upstream production with anticipated downstream demand.

While the Company recorded write-downs of inventory to net realizable value during the period, the carrying value reflects current market conditions and the campaign production model. The Company expects that a portion of the stockpiled inventory will be directed toward higher-value downstream applications as the BAF advances.

Cash flow analysis

	Nine months ended March 31, 2026	Nine months ended March 31, 2025
Net cash used in operating activities	\$ (16,432,772)	\$ (13,214,364)
Net cash used in investing activities	(213,592)	(10,043,774)
Net cash provided by financing activities	29,786,648	13,755,616

Net cash used in operating activities for the nine months ended March 31, 2026 was \$16.4 million, compared to \$13.2 million in the comparative period. Operating cash outflows in the current period reflect expenditures associated with campaign production at the Molo Graphite Mine, corporate overhead and front-end engineering and design and related project development activities for the UAE BAF.

Following a review completed in Q3 2025, the Company revised its operating strategy for the Molo Graphite Mine and determined to operate the existing plant on a campaign production basis rather than pursuing further capital investment to achieve nameplate capacity. As a result of this change in strategy, costs that were previously capitalized as part of ramp-up and commissioning activities are now expensed as incurred or capitalized to inventory. This shift in treatment has contributed to an increase in operating cash outflows in the current period.

Net cash used in investing activities decreased significantly to \$0.2 million (March 31, 2025: \$10.0 million), reflecting the cessation of capitalization of ramp-up and commissioning costs following the change in operating strategy. In the comparative period, a significant portion of expenditures related to the Molo Graphite Mine were capitalized as part of ramp-up and commissioning activities and reflected within investing activities, consistent with the Company’s operating strategy at the time to advance the Molo Graphite Mine toward commercial production. In the current period, following the transition to campaign production, similar expenditures are no longer capitalized and are instead reflected within operating cash flows or inventory. Accordingly, the reduction in investing activities and corresponding increase in operating cash outflows primarily reflect this change in operating intent and accounting treatment, rather than a reduction in underlying activity levels.

Investing activities in the current period also include prepayments and deposits associated with securing infrastructure for the UAE BAF, including a downpayment on a potential building site, which is intended to support future development and construction activities.

Net cash provided by financing activities increased to \$29.8 million (March 31, 2025: \$13.8 million), reflecting proceeds from the LIFE Offering completed during the period and drawdowns under the Company’s credit drawdown facility. Financing activities continue to represent the primary source of funding for the Company’s operating activities and targeted investment in advancing the UAE BAF toward a final investment decision.

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Capital Resources

The Company's capital resources as at March 31, 2026 consist of cash and cash equivalents of \$16.4 million and its amended credit drawdown facility with its largest lender.

On February 24, 2026, the Company completed the LIFE Offering, which increased its available cash resources during the period.

The Company's credit drawdown facility, which was fully drawn at \$30 million in January 2026, was amended in connection with the LIFE Offering to defer repayment for a period of 12 months and one day from closing and to increase the total facility size to \$50 million. Of the additional \$20 million capacity, \$5 million is available for drawdown, with the remaining amount subject to the sole discretion of the shareholder.

In addition, the Company has entered into a non-binding letter of intent with Hanwa Co. and Japan Organization for Metals and Energy Security in respect of a potential project-level equity financing for the UAE BAF and maintains a mandate letter with the IFC in respect of potential financing for the Molo Graphite Mine expansion. These arrangements are subject to customary conditions and are not committed sources of funding.

Contractual Obligations and Commitments

The Company is subject to contractual obligations in the normal course of business, including royalty arrangements, lease obligations and a commercial production obligation associated with the Molo Graphite Mine.

Minimum payment obligations under the Company's royalty arrangement represent fixed commitments, while the commercial production obligation is contingent on the achievement of commercial production at the Molo Graphite Mine. Lease obligations relate primarily to office and operational infrastructure, including a long-term energy services agreement associated with the supply of power to the Molo Graphite Mine, which includes minimum annual payment requirements subject to escalation.

The Company's term loan is presented as a financing liability and is not considered a contractual commitment in this context; however, the timing of associated cash outflows is influenced by the amended repayment terms and ongoing discussions with the Company's largest shareholder.

The Company manages its contractual obligations and commitments in conjunction with its available liquidity and financing arrangements and aligns the timing of expenditures with the advancement of the UAE BAF and overall funding strategy.

Liquidity Outlook

The Company believes that its existing cash resources, together with the Amended Facility, provide sufficient liquidity to meet its current obligations and planned expenditures over the near term, including continued campaign production at the Molo Graphite Mine, corporate overhead and targeted front-end engineering and design activities for the UAE BAF.

The Company's ability to advance the UAE BAF toward a final investment decision and to progress the Molo Graphite Mine expansion remains dependent on securing additional strategic and project financing. The timing of such financing is influenced by a number of factors, including the completion of engineering and development activities, engagement with potential partners and broader market conditions.

Geopolitical developments, including the conflict involving Iran, have introduced increased regional uncertainty in the UAE, which has impacted the timing of discussions with potential financing and strategic partners. As a result, the Company continues to manage capital deployment in a measured manner, aligning expenditures with available liquidity and evolving project timelines.

The Company will continue to prioritize capital allocation toward advancing the UAE BAF while maintaining the Molo Graphite Mine in a state of operational readiness. The timing of future development activities and associated capital requirements will be aligned with progress on financing initiatives and downstream demand visibility.

The Company's Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. While the Company believes that its existing cash resources and amended financing arrangements provide sufficient liquidity to meet its near-term obligations, the Company will require additional financing to fund future development activities. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's Financial Statements in accordance with IFRS requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and judgements are based on historical experience and other factors considered to be reasonable under the circumstances; however, actual results may differ from these estimates.

Management considers the following areas to involve significant judgement or estimation uncertainty that could have a material impact on the Company's Financial Statements.

Going concern

The Company's Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

In assessing the Company's ability to continue as a going concern, management considers available cash resources, forecasted expenditures, the terms of its credit drawdown facility and the timing and availability of additional financing required to advance the UAE BAF and support ongoing operations.

While the Company believes that its existing cash resources, together with the amended credit drawdown facility, provide sufficient liquidity to meet its near-term obligations, the Company will require additional financing to fund future development activities. The timing of such financing is subject to a number of factors, including market conditions, progress on engineering and development activities, engagement with potential partners and geopolitical developments in the Middle East, including the ongoing conflict involving Iran, which has introduced regional uncertainty in the UAE and impacted the timing of advancement of the UAE BAF.

These conditions require the use of significant judgement and indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Inventory valuation

Inventory is carried at the lower of cost and NRV. Determining NRV requires management to make estimates regarding expected selling prices, product specifications and market conditions.

The Company's inventory primarily consists of SuperFlake® graphite produced from campaign operations at the Molo Graphite Mine. Under the current operating model, production volumes are not optimized for scale, and the cost structure reflects the maintenance of operational readiness rather than steady-state production.

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As a result, the cost of production may exceed estimated selling prices, requiring write-downs of inventory to NRV. The determination of NRV involves judgement in assessing applicable benchmark pricing, product size distribution and expected use, including the potential for certain inventory to be directed toward higher-value downstream applications in the proposed UAE BAF.

Changes in these assumptions could have a material impact on the carrying value of inventory and the Company's results of operations.

Financial Instruments and Fair Value Measurements

The Company has financial instruments that are measured at fair value, including royalty obligations and warrant derivative liabilities. The determination of fair value requires the use of valuation techniques and inputs that involve significant judgement.

Changes in key assumptions may result in material adjustments to the carrying value of these financial instruments and the related amounts recognized in net loss.

Further information regarding the Company's financial instruments, including valuation methodologies and assumptions, is disclosed in the Company's Financial Statements and in the "*Financial Instruments and Risk Management*" section of this MD&A.

Use of assets and classification of costs

Management exercises judgement in determining whether expenditures are capitalized or expensed, based on the intended use of the asset and its stage of operation or development.

For the Molo Graphite Mine, following a review completed in Q3 2025, the Company adopted a campaign production operating model rather than pursuing further capital investment to achieve nameplate capacity. As a result, costs that were previously capitalized as part of ramp-up and commissioning activities are now expensed as incurred or capitalized to inventory. This operating model remains in place during the current period and continues to impact the classification of expenditures and the Company's financial results.

For the UAE BAF, expenditures incurred prior to a final investment decision are expensed as incurred, as the project has not yet reached the stage at which capitalization criteria are met. These costs primarily relate to front-end engineering and design and other development activities undertaken to advance the project.

Following a final investment decision, and as the project progresses to a stage where expenditures are directly attributable to the construction of the asset and it is probable that future economic benefits will be realized, management expects that such costs will be capitalized in accordance with applicable IFRS requirements.

The application of these judgements affects the allocation of costs between operating expenses, inventory and capitalized amounts, and has a direct impact on reported loss and cash flow presentation.

Share-based compensation

The Company accounts for share-based compensation using fair value-based methods. The fair value of stock options is determined using an option pricing model, such as the Black-Scholes model, while the fair value of restricted share units is based on the market value of the Company's shares at the grant date.

These valuation approaches require the use of assumptions, including expected volatility, risk-free interest rates, expected life and forfeiture rates.

Changes in these assumptions may result in different fair values and could have a material impact on the amount of share-based compensation recognized in the Financial Statements.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to a variety of financial risks arising from its financial instruments, including liquidity risk, market risk and credit risk. The Company manages these risks in the context of its overall business strategy, which is focused on advancing the UAE BAF while maintaining operational readiness at the Molo Graphite Mine.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company's primary sources of liquidity are cash and cash equivalents and its credit drawdown facility with its largest shareholder, Vision Blue. The Company's ability to meet its obligations and fund ongoing operations is dependent on its existing cash resources, continued support from Vision Blue and its ability to secure additional financing.

The timing of such financing is influenced by a number of factors, including progress on the UAE BAF, market conditions and geopolitical developments in the Middle East, including the ongoing conflict involving Iran, which has impacted the timing of advancement of the UAE BAF.

The Company manages liquidity risk by monitoring forecast cash flows, maintaining flexibility in the timing of expenditures and aligning capital deployment with available funding and project development timelines.

Market Risk

Foreign Exchange Risk

The Company is exposed to foreign exchange risk due to fluctuations in foreign currency exchange rates.

The Company's reporting currency is the USD, while its Madagascar subsidiaries operate in Malagasy Ariary. The Company's operations involve expenditures and obligations denominated in multiple currencies, including Malagasy Ariary, South African Rand and USD. As a result, fluctuations in exchange rates may impact operating costs, the valuation of monetary assets and liabilities and the translation of foreign operations.

The Company does not currently use hedging instruments to manage foreign exchange risk and manages its exposure through ongoing monitoring and cash management practices.

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A sensitivity analysis of the Company's exposure to foreign currency risk, including the impact of a 10% change in relevant exchange rates on net loss and equity, is presented in the table below.

	As at	As at
	March 31, 2026	June 30, 2025
Cash and cash equivalents	\$ 15,512,734	\$ 198,261
Cash and cash equivalents	25,861	478,361
Cash and cash equivalents	170,874	156,404
Amounts receivable	25,745	56,176
Amounts receivable	49,760	(15,668)
Amounts receivable	—	—
Amounts receivable	—	—
Prepaid expenses	9,014	131,784
Prepaid expenses	2,257	—
Prepaid expenses	296,017	630,656
Accounts payable and accrued liabilities	(672,677)	(972,460)
Accounts payable and accrued liabilities	(1,058,466)	(2,197,248)
Accounts payable and accrued liabilities	23,283	111,749
Accounts payable and accrued liabilities	(21,748)	49,429
Accounts payable and accrued liabilities	6,384	(169,873)
Accounts payable and accrued liabilities	—	—
Accounts payable and accrued liabilities	(410,759)	—
Commercial production obligations	(572,618)	(536,127)
Current portion of lease obligations	(1,382,750)	(1,400,976)
Net foreign exchange exposure in USD	\$ 12,002,911	\$ (3,479,532)
Impact of 10% increase in CAD/USD exchange rates	\$ 1,430,220	\$ (112,236)
Impact of 10% increase in MGA/USD exchange rates	(206,958)	(250,488)
Impact of 10% increase in AED/USD exchange rates	(41,076)	—
Impact of 10% increase in MUR/USD exchange rates	19,416	26,815
Impact of 10% increase in ZAR/USD exchange rates	864	(16,987)
Impact of 10% increase in EUR/USD exchange rates	—	—
Impact of 10% increase in GBP/USD exchange rates	(2,175)	4,943
Total	\$ 1,200,291	\$ (347,953)

Commodity Price Risk

The Company is exposed to commodity price risk related to graphite prices.

During the current stage of operations, sales of SuperFlake® graphite are primarily undertaken to support customer qualification and the development of sales channels and may not reflect steady-state pricing or volumes. As a result, realized prices may differ from benchmark pricing and may not fully offset production costs under the current operating model.

Over the longer term, the Company's exposure to commodity price risk is expected to be influenced by downstream demand from the BAF and the development of commercial sales channels.

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Interest Rate Risk

The Company's exposure to interest rate risk is limited.

The Company's credit drawdown facility bears interest at a fixed rate and is therefore not subject to variability from changes in market interest rates. The Company is exposed to interest rate assumptions used in determining discount rates for certain financial liabilities and lease obligations. Changes in these assumptions may impact the valuation of such liabilities.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations.

The Company's credit risk arises primarily from cash and cash equivalents and amounts receivable. The Company manages this risk by maintaining cash balances with reputable financial institutions and by monitoring the creditworthiness of its counterparties.

The Company's exposure to credit risk is considered limited.

Fair Value Measurement

Certain of the Company's financial instruments, including royalty obligations and warrant derivative liabilities, are measured at fair value.

The determination of fair value requires the use of valuation techniques and assumptions, including discount rates, timing of cash flows and market-based inputs. These estimates involve significant judgement and are subject to uncertainty.

Changes in these assumptions may result in material adjustments to the carrying value of these financial instruments and the amounts recognized in net loss.

Further information regarding the Company's financial instruments and related fair value measurements is disclosed in the Company's Financial Statements.

8. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements as at March 31, 2026 and June 30, 2025.

9. RISKS AND UNCERTAINTIES

The Company is subject to a number of risks and uncertainties that could materially affect its business, financial condition, results of operations and ability to execute its strategy. The Company's primary strategic objective is the development of the UAE BAF, which is expected to be the principal driver of long-term value creation. As a result, a number of the risks described below are interconnected and relate to the timing, financing and execution of this development.

Financing Risk

The Company's ability to advance the UAE BAF and execute its development strategy is dependent on its ability to secure additional strategic and project financing.

While the Company has completed the LIFE Offering and maintains a credit drawdown facility with Vision Blue, additional funding will be required to advance the BAF to construction and to support future development activities. There can be no assurance that such financing will be available on acceptable terms, or at all.

The timing and availability of financing are influenced by a number of factors, including market conditions, project development progress, geopolitical developments and investor sentiment. Delays in securing financing may result in the deferral of development activities, including the timing of a final investment decision for the UAE BAF and the progression of the Molo Graphite Mine expansion.

Geopolitical Risk

The Company's planned BAF is located in the UAE and is therefore exposed to geopolitical developments in the Middle East.

During Q3 2026, the conflict involving Iran has introduced increased regional uncertainty, which has impacted the timing and progression of discussions with potential financing and strategic partners. Continued instability or escalation of the conflict could further delay the advancement of the UAE BAF, including the timing of a final investment decision and project execution.

Delays in the development of the UAE BAF may also affect the Company's broader development plans, including the timing of the Molo Graphite Mine expansion and the alignment of upstream and downstream activities.

Development and Execution Risk – UAE BAF

The development of the UAE BAF involves a number of risks inherent in large-scale industrial projects, including engineering, permitting, construction and operational risks.

The Company has completed preliminary engineering work and continues to advance the project toward a final investment decision; however, there can be no assurance that the project will proceed as planned, within expected timelines or within estimated capital costs.

Execution risk may increase in the event of delays, changes in project scope or challenges in securing contractors, equipment or regulatory approvals.

Operating Risk – Molo Graphite Mine

The Molo Graphite Mine is currently operated on a campaign production basis to manage costs while maintaining operational readiness.

This operating model results in a cost structure that is not optimized for scale and may lead to variability in production, product consistency and operating performance. As a result, the Company may continue to incur operating losses from the mine under the current model.

In addition, maintaining operations in southern Madagascar requires ongoing engagement with local communities and stakeholders. Changes in operating levels, including a transition to care and maintenance, could impact the Company's social license to operate and future development activities.

Commodity and Market Risk

The Company is exposed to fluctuations in graphite prices and market demand, which may impact future revenues and project economics.

During the current stage of operations, sales are primarily undertaken to support customer qualification and market development and may not reflect steady-state pricing or volumes. As a result, realized prices may differ from benchmark pricing and may not fully offset production costs under the current operating model.

The Company's long-term financial performance is dependent on the development of sustainable demand for graphite products, including anode active material, and the successful commercialization of the UAE BAF.

Supply Chain and Infrastructure Risk

The Company's operations and development activities depend on the availability of equipment, materials, infrastructure and energy inputs.

The Molo Graphite Mine is located in a remote region of Madagascar and relies on logistics and transportation infrastructure for the delivery of supplies and shipment of product. The operation is also dependent on the availability and cost of fuel and power, which are subject to external market conditions and supply chain dynamics.

Geopolitical developments, including the ongoing conflict involving Iran, have affected global energy markets and fuel supply chains. Madagascar declared a national energy emergency in April 2026 in response to fuel-supply disruptions linked to the conflict in the Middle East. Continued disruption or volatility in fuel availability, fuel pricing or transportation logistics could increase operating costs, constrain supply availability or affect the continuity and efficiency of operations at the Molo Graphite Mine.

Similarly, the development of the UAE BAF will require the procurement and installation of specialized equipment and coordination with regional contractors. Delays in equipment delivery, contractor availability or infrastructure readiness could impact project timelines.

Foreign Exchange Risk

The Company operates in multiple jurisdictions and is exposed to fluctuations in foreign currency exchange rates, which may impact operating costs, financial results and cash flows.

The Company's reporting currency is the USD, while its Madagascar subsidiaries operate in Malagasy Ariary. The Company's operations involve expenditures and obligations denominated in multiple currencies, including Malagasy Ariary, South African Rand and USD. Movements in these exchange rates may affect the cost structure of the Molo Graphite Mine and the valuation of monetary assets and liabilities.

In addition, the development of the UAE BAF is expected to introduce exposure to the United Arab Emirates Dirham ("AED"), further increasing the Company's exposure to foreign currency fluctuations as project activities advance.

Regulatory and permitting risk

The Company's operations and development activities are subject to regulatory approvals and permitting requirements in multiple jurisdictions.

The development of the BAF and the expansion of the Molo Graphite Mine will require permits and approvals from relevant authorities. Delays or challenges in obtaining or maintaining these approvals could impact project timelines and costs.

Additional information regarding the risks and uncertainties affecting the Company is included in the Company's most recently filed AIF, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

NextSource Materials Inc.
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10. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with related parties in the normal course of business. Related parties include key management personnel and the Company’s largest shareholder, Vision Blue, which owned 47.51% of the Company’s common shares as at March 31, 2026.

Vision Blue is a significant source of financing for the Company and has participated in equity financings and provided funding through a credit drawdown facility. The Company is also party to a royalty agreement with Vision Blue, which includes minimum payment obligations. These arrangements are integral to the Company’s capital structure and liquidity management and are described in further detail in the Company’s Financial Statements.

Key management personnel include members of the Board of Directors, the Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”) and Senior Vice Presidents. Compensation for key management personnel includes salaries and benefits, share-based compensation and, where applicable, consulting fees.

The following table summarizes key management compensation for the periods indicated:

	Nine months ended March 31, 2026	Nine Months Ended March 31, 2025	Three months ended March 31, 2026	Three Months Ended March 31, 2025
Payroll and benefits	\$ 1,554,286	\$ 1,022,443	\$ 529,227	\$ 280,395
Management consulting fees	—	262,500	—	68,375
Share-based compensation	570,422	52,260	269,608	(137,105)
	\$ 2,124,708	\$ 1,337,203	\$ 798,835	\$ 211,665

Vision Blue participated in equity financings completed during the comparative and current periods. During the year ended June 30, 2025, Vision Blue subscribed for common shares under a private placement completed on October 15, 2024.

During the three months ended March 31, 2026, Vision Blue also participated as a significant investor in the LIFE Offering completed on February 24, 2026.

The Company also has amounts outstanding with related parties in respect of borrowings, royalty obligations and share-based compensation liabilities. These balances arise in the normal course of business and are subject to the terms of the respective agreements.

The following table summarizes related party balances as at March 31, 2026 and June 30, 2025:

Related party transactions contained within	As at March 31, 2026	As at June 30, 2025
Amounts receivable	\$ 21,028	\$ 21,029
Current portion of share-based compensation liability	213,276	57,228
Long-term portion of share-based compensation liability	147,729	32,479
Borrowings from Vision Blue	32,694,899	15,437,022
Current portion of royalty obligations	948,750	1,897,500
Long term portion of royalty obligations	9,315,640	8,694,866
Warrant liability to Vision Blue	950,560	—

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.

Further information regarding related party transactions, including detailed terms and amounts, is disclosed in the Company’s Financial Statements.

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11. OUTSTANDING SECURITIES

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

The following table summarizes the Company’s outstanding securities as at March 31, 2026 and June 30, 2025:

	As at March 31, 2026	As at June 30, 2025
Common shares issued and outstanding	245,489,777	184,911,107
Stock options	3,350,000	2,750,000
Restricted share units	6,020,361	800,000
Warrants	29,411,750	—
Fully diluted common shares	284,271,888	188,461,107

Warrants are presented on a fully diluted basis for informational purposes, notwithstanding their classification as a financial liability in the Company’s Financial Statements.

During the three and nine months ended March 31, 2026, the Company completed the LIFE Offering, pursuant to which 58,823,500 units were issued. Each unit issued under the LIFE Offering included one Common Share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to acquire one Common Share in accordance with its terms.

The Company also issued Common Shares in connection with the settlement of restricted share units and granted stock options during the period as part of its share-based compensation programs.

As a result of these activities, the Company’s issued and outstanding share capital increased significantly during the period, reflecting the Company’s financing activities and the continued use of equity-based compensation to support operations and retain employees.

Further details regarding the Company’s share capital, stock options, restricted share units and warrants are disclosed in the Company’s Financial Statements.

12. MATERIAL ACCOUNTING POLICY INFORMATION

The Company’s material accounting policies are described in the audited annual financial statements for the year ended June 30, 2025 and the Financial Statements.

There have been no significant changes to the Company’s accounting policies during the nine months ended March 31, 2026.

13. 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.

14. DISCLOSURE CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to management, including the CEO and CFO, in a timely manner so that appropriate decisions can be made regarding public disclosure.

As at March 31, 2026, the Company's CEO and CFO evaluated the effectiveness of the Company's disclosure controls and procedures and concluded that such disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Internal control over financial reporting ("ICFR") is 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.

Management is responsible for establishing and maintaining adequate ICFR. Because of its inherent limitations, ICFR may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

As at March 31, 2026, the Company's CEO and CFO evaluated the effectiveness of the Company's ICFR based on the criteria set forth in the *COSO Internal Control – Integrated Framework (2013)* and concluded that ICFR was effective.

Remediation of Material Weaknesses

Management previously identified material weaknesses in the Company's internal control over financial reporting related to complex accounting and financial reporting processes, which were disclosed in prior MD&A filings.

Management completed its remediation plan during the fourth quarter of 2025, which included enhancements to internal controls, strengthening of the finance function and the implementation of a new enterprise resource planning system.

Based on management's evaluation and testing of these controls, which have been in place for at least 12 months, the Company has concluded that the material weaknesses have been remediated and that no material weaknesses exist as at March 31, 2026.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

15. 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.