

SECURITIES AND EXCHANGE COMMISSION

FORM 20-F

Annual and transition report of foreign private issuers pursuant to sections 13 or 15(d)

Filing Date: **2021-11-02** | Period of Report: **2021-06-30**
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FILER

NextSource Materials Inc.

CIK: [1302084](#) | IRS No.: **200803515** | State of Incorporation: **MN** | Fiscal Year End: **0630**
Type: **20-F** | Act: **34** | File No.: [000-51151](#) | Film No.: **211371433**
SIC: **1040** Gold and silver ores

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **June 30, 2021**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission File Number: 000-05151

NEXTSOURCE MATERIALS INC.

(Exact name of Registrant as specified in its charter)

Ontario, Canada

(Jurisdiction of incorporation or organization)

130 King Street West, Exchange Tower Suite 1940

Toronto, Ontario

Canada M5X 2A2

(Address of principal executive offices)

Marc Johnson, Telephone (416) 364-4911

130 King Street West, Exchange Tower Suite 1940,

Toronto, Ontario

Canada M5X 2A2

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to section
12(b) of the Act:

None

Securities registered or to be registered pursuant to Section
12(g) of the Act:

**Common Stock, \$nil par
value**

(Title of Class)

Securities for which there is a reporting obligation pursuant
to Section 15(d) of the Act:

None

(Title of Class)

The number of outstanding shares of the issuer's common stock as of June 30, 2021:

98,184,260 shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or a transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

**ANNUAL INFORMATION FORM,
AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
AND MANAGEMENT DISCUSSION AND ANALYSIS**

Annual Information Form

The Registrant's Annual Information Form for the fiscal year ended June 30, 2021 is attached as Exhibit 99.1 to this Annual Report on Form 20-F and is incorporated herein by reference.

Audited Annual Consolidated Financial Statements

The Registrant's audited annual consolidated financial statements for the fiscal year ended June 30, 2021, including the report of the independent registered public accounting firm with respect thereto, are attached as Exhibit 99.2 to this Annual Report on Form 20-F and are incorporated herein by reference.

Management's Discussion and Analysis

The Registrant's Management's Discussion and Analysis for the fiscal year ended June 30, 2021 is attached as Exhibit 99.3 to this Annual Report on Form 20-F and is incorporated herein by reference.

Notice of Annual Meeting and Management Proxy Circular

The Registrant's Notice of Annual Meeting and Management Proxy Circular for the fiscal year ended June 30, 2021 is attached as Exhibit 99.4 to this Annual Report on Form 20-F and is incorporated herein by reference.

Additional Information

An Additional Information document is attached as Exhibit 99.5 to this Annual Report on Form 20-F and is incorporated herein by reference.

Cross Reference to Form 20-F

Item No.	Cross Reference to Form 20-F	Exhibit
Part I		
Item 1	Identity of Directors, Senior Management and Advisers	99.4
Item 2	Offer Statistics and Expected Timetable	N/A
Item 3	Key Information	
	A. Selected financial data	99.5
	B. Capitalization and indebtedness	99.1
	C. Reasons for the offer and use of proceeds	N/A
	D. Risk factors	99.1
Item 4	Information on the Company	
	A. History and development of the company	99.1
	B. Business overview	99.1
	C. Organizational structure	99.1
	D. Property, plants and equipment	99.1, 99.2 and 99.3
Item 4A	Unresolved Staff Comments	N/A
Item 5	Operating and Financial Review and Prospects	
	A. Operating results	99.2 and 99.3
	B. Liquidity and capital resources	99.2 and 99.3
	C. Research and development, patents and licenses, etc.	99.1
	D. Trend information	99.1
	E. Off-balance sheet arrangements	99.3
	F. Tabular disclosure of contractual obligations	99.3
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	B. Compensation	99.1 and 99.4
	C. Board practices	99.1 and 99.4
	D. Employees	99.1 and 99.4
	E. Share Ownership	99.1 and 99.4
Item 7	Major Shareholders and Related Party Transactions	
	A. Major shareholders	99.4 and 99.5
	B. Related party transactions	99.1 and 99.2
	C. Interests of experts and counsel	99.1

Item 8	Financial Information	
	A. Consolidated Statements and Other Financial Information	99.1 and 99.2
	B. Significant changes	99.2 and 99.5
Item 9	The Offer and Listing	
	A. Offer and listing details	N/A
	A.4 Markets	99.3
	B. Plan of distribution	N/A
	C. Markets	99.3
	D. Selling shareholders	N/A
	E. Dilution	N/A
	F. Expenses of the issue	N/A

Item 10	Additional Information	
	A. Share Capital	99.1 and 99.2
	B. Memorandum and articles of association	1.1 and 1.2
	C. Material contracts	4.1.1, 4.1.2, 4.1.3 4.2.1, 4.2.2, 4.2.3 4.3, 4.5, 4.6, 4.7, 4.8
	D. Exchange controls	N/A
	E. Taxation	99.5
	F. Dividends and paying agents	N/A
	G. Statement by experts	99.1
	H. Documents on display	99.1
	I. Subsidiary information	N/A
Item 11	Quantitative and Qualitative Disclosures About Market Risk	N/A
Item 12	Description of Securities Other than Equity Securities	N/A
Part II		
Item 13	Defaults, Dividend Arrearages and Delinquencies	N/A
Item 14	Material Modifications to the Rights of Security Holders and Use of Proceeds	N/A
Item 15	Controls and Procedures	99.5
Item 16	[Reserved]	
Item 16A.	Audit committee financial expert	99.5
Item 16B.	Code of Ethics	11
Item 16C.	Principal Accountant Fees and Services	99.4
Item 16D.	Exemptions from the Listing Standards for Audit Committees	N/A
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchases	N/A
Item 16F.	Change in Registrant's Certifying Accountant	N/A
Item 16G.	Corporate Governance	N/A
Item 16H.	Mine Safety Disclosure	N/A
Part III		

Item 17	Financial Statements	N/A
Item 18	Financial Statements	99.2
Item 19	Exhibits	Exhibit Index

EXHIBIT INDEX

1.1	Articles of Continuance of NextSource Materials Inc., dated December 27, 2017 (Previously filed with our 20-F filed with the SEC on October 31, 2018)
1.2	By-Law No. 1 of NextSource Materials Inc., dated December 27, 2017 (Previously filed with our 20-F filed with the SEC on October 31, 2018)
4.1.1	2016 Stock Option Plan of NextSource Materials, Inc. (Previously filed as Appendix B to Schedule 14A filed with the SEC on November 14, 2016)
4.1.2	2018 Stock Option Plan of NextSource Materials, Inc. (Previously filed as Appendix C to the Management Proxy Circular in our 20-F filed with the SEC on October 1, 2018)
4.1.3	Long-Term Incentive Plan of NextSource Materials, Inc. (Previously filed as Appendix C to the Management Proxy Circular in our 20-F filed with the SEC on December 7, 2020)
4.2.1	Form of Warrant relating to private placement completed August 17, 2018 (Previously filed with our 20-F filed with the SEC on October 31, 2018)
4.2.2	Form of Warrant relating to private placement completed October 25, 2019 (Previously filed with our 20-F filed with the SEC on November 13, 2019)
4.2.3	Form of Warrant relating to private placement completed July 2, 2020 (Previously filed with our 20-F filed with the SEC on December 7, 2020)
4.2.4	Form of Warrant relating to private placement completed May 19, 2021
4.3	Vision Blue Investment Agreement
4.5	Employment Agreement with Craig Scherba (Previously filed with our Annual Report on Form 10-K filed with the SEC on September 28, 2017)
4.6	Employment Agreement with Brent Nykoliation (Previously filed with our Annual Report on Form 10-K filed with the SEC on September 28, 2017)
4.7	Management Consulting Agreement with Marc Johnson (Previously filed with our Annual Report on Form 10-K filed with the SEC on September 28, 2017)
4.8	Management Consulting Agreement with Robin Borley (Previously filed with our Annual Report on Form 10-K filed with the SEC on September 28, 2017)
8	List of Subsidiaries (see “Corporate Structure” of the Annual Information Form for the fiscal year ended June 30, 2021 filed hereto as Exhibit 99.1.)
11	Code of Ethics and Business Conduct (Previously filed with our 20-F filed with the SEC on October 31, 2018).
12.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
12.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934.
13.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Annual Information Form for the fiscal year ended June 30, 2021.
99.2	Audited Annual Consolidated Financial Statements for the fiscal year ended June 30, 2021.
99.3	Management’s Discussion and Analysis for the fiscal year ended June 30, 2021.
99.4	Notice of Annual Meeting and Management Proxy Circular for the fiscal year ended June 30, 2021.
99.5	Additional Information.

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Dated: November 2, 2021

NEXTSOURCE MATERIALS INC.,

By: /s/ Marc Johnson

Name: Marc Johnson

Title: Chief Financial Officer

NEXTSOURCE MATERIALS INC.

a corporation incorporated under the laws of Canada and having its registered office at
130 King Street West, Exchange Tower Suite 1940, Toronto, Ontario, M5X 2A2

WARRANTS XXXXX

Each Warrant entitling the holder to acquire one common share of NextSource Materials Inc., subject to adjustment as set forth herein, in accordance with the terms and conditions set forth herein.

WARRANT CERTIFICATE

THIS IS TO CERTIFY THAT for value received [INVESTOR NAME] (the “Holder”) is the registered holder of the number of Warrants stated above (each a “Warrant” and collectively, the “Warrants”) and is entitled for each whole Warrant represented hereby to purchase one (1) fully paid and non-assessable common share, subject to adjustment as hereinafter provided (each a “Share” and collectively the “Shares”), in the capital of the NextSource Materials Inc. (the “Corporation”), at any time and from time to time from the date of issue hereof up to and including 5:00 p.m. (Eastern Time) on May 19, 2023 (the “Expiry Time”), at a price of \$0.10 per Share, subject to adjustment as hereinafter provided (the “Exercise Price”), upon and subject to the following terms and conditions.

TERMS AND CONDITIONS

1. The Warrants represented by this Warrant Certificate may not be exercised in the United States or by or on behalf of a U.S. Person nor will the Shares be registered or delivered to an address in the United States, unless an exemption from registration is available under, the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), and the applicable securities laws of any U.S. state is available. The Warrants represented by this Warrant Certificate may not be transferred to, or for the benefit of, a transferee in the United States or a U.S. Person, unless an exemption from registration is available under, the U.S. Securities Act. As used herein, the terms “United States” and “U.S. Person” have the meanings ascribed to them in Regulation S under the U.S. Securities Act.

The Warrants represented by this Warrant Certificate and the Shares issuable upon exercise of these Warrants are subject to certain resale restrictions under applicable securities legislation. The Holder is advised to seek professional advice as to applicable resale restrictions.

At any time and from time to time at or prior to the Expiry Time (the “Exercise Period”), the Holder may exercise all or any number of whole Warrants represented hereby, upon delivering to the Corporation at its principal office noted above, this Warrant Certificate, together with a duly completed and executed subscription notice in the form attached hereto (the “Subscription Notice”) evidencing the election of the Holder to exercise the number of Warrants set forth in the Subscription Notice (which shall not be greater than the number of Warrants represented by this Warrant Certificate) and a certified cheque, money order or bank draft payable to the Corporation for the aggregate Exercise Price of all Warrants being exercised. If the Holder is not exercising all Warrants represented by this Warrant Certificate, the Holder shall be entitled to receive, without charge, a new Warrant Certificate representing the number of Warrants which is the difference between the number of Warrants represented by the then original Warrant Certificate and the number of Warrants being so exercised.

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2. The Holder shall be deemed to have become the holder of record of Shares on the date (the “Exercise Date”) on which the Corporation has received a duly completed Subscription Notice, delivery of the Warrant Certificate and payment of the full aggregate Exercise Price in respect of the Warrants being exercised pursuant to such Subscription Notice; provided, however, that if such date is not a business day in the City of Toronto, Ontario (a “Business Day”) then the Shares shall be deemed to have been issued and the Holder shall be deemed to have become the holder of record of the Shares on the next following Business Day. Within five Business Days of the Exercise Date, the Corporation shall issue and deliver (or cause to be delivered) to the Holder, by registered mail or pre-paid courier to his, her or its address specified in the register of the Corporation, one or more certificates for the appropriate number of issued and outstanding Shares to which the Holder is entitled pursuant to the exercise of Warrants.

3. The Corporation covenants and agrees that, until the Expiry Time, while any of the Warrants represented by this Warrant Certificate shall be outstanding, it shall reserve and there shall remain unissued out of its authorized capital a sufficient number of Shares to satisfy the right of purchase herein provided, as such right of purchase may be adjusted pursuant to Sections 4 and 5 of this Warrant Certificate. The Corporation represents and warrants that all Shares which shall be issued upon the exercise of the right to purchase herein provided for, upon payment of the aggregate Exercise Price at which Shares may at that time be purchased pursuant to the provisions hereof, shall be issued as fully paid and non-assessable shares and the holders thereof shall not be liable to the Corporation or its creditors in respect thereof. The Corporation further represents and warrants that this Warrant Certificate is a legal, valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms, provided that enforcement thereof may be limited by laws effecting creditors' rights generally and that specific performance and other equitable remedies may only be granted in the discretion of a court of competent jurisdiction. The Corporation covenants that it will make all requisite filings under applicable laws in connection with the exercise of the Warrants and issue of Shares.
4. The Exercise Price (and the number of Shares purchasable upon exercise) shall be subject to adjustment from time to time in the events and in the manner provided as follows:

(a) Share Reorganization. If during the Exercise Period, the Corporation shall:

- (i) issue common shares or securities exchangeable for or convertible into common shares to holders of all or substantially all of its then outstanding common shares by way of stock dividend or other distribution, or
- (ii) subdivide, re-divide or change its outstanding common shares into a greater number of common shares, or
- (iii) consolidate, reduce or combine its outstanding Shares into a lesser number of common shares,

(any of such events in these paragraphs (i), (ii) and (iii) being a "Share Reorganization"), then the Exercise Price shall be adjusted as of the effective date or record date, as the case may be, at which the holders of common shares are determined for the purpose of the Share Reorganization by multiplying the Exercise Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which shall be the number of common shares outstanding on such effective date or record date before giving effect to such Share Reorganization and the denominator of which shall be the number of common shares outstanding as of the effective date or record date after giving effect to such Share Reorganization (including, in the case where securities exchangeable for or convertible into common shares are distributed, the number of common shares that would have been outstanding had such securities been fully exchanged for or converted into common shares on such record date or effective date). From and after any adjustment of the Exercise Price pursuant to this Section 4(a), the number of Shares purchasable pursuant to this Warrant Certificate shall be adjusted contemporaneously with the adjustment of the Exercise Price by multiplying the number of Shares then otherwise purchasable on the exercise thereof by a fraction, the numerator of which shall be the Exercise Price in effect immediately prior to the adjustment and the denominator of which shall be the Exercise Price resulting from such adjustment.

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(b) Rights Offering. If and whenever during the Exercise Period the Corporation shall fix a record date for the issue or distribution of rights, options or warrants to all or substantially all of the holders of common shares under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issue to subscribe for or purchase common shares or securities exchangeable for or convertible into common shares at a price per share to the holder (or having a conversion price or exchange price per common share) of less than 95% of the Current Market Price (as defined in Section 5 hereof) for the common shares on such record date (any of such events being called a "Rights Offering"), then the Exercise Price shall be adjusted effective immediately after the record date for the Rights Offering to a price determined by multiplying the Exercise Price in effect on such record date by a fraction:

- (i) the numerator of which shall be the aggregate of:
 - (A) the number of common shares outstanding as of the record date for the Rights Offering, and
 - (B) a number determined by dividing either

- I. the product of the number of common shares offered under the Rights Offering and the price at which such common shares are offered,

or, as the case may be,

- II. the product of the exchange or conversion price per share of such securities offered and the maximum number of common shares for or into which the securities so offered pursuant to the Rights Offering may be exchanged or converted,

by the Current Market Price of the common shares as of the record date for the Rights Offering; and

- (ii) the denominator of which shall be the aggregate of the number of common shares outstanding on such record date after giving effect to the Rights Offering and including the number of common shares offered pursuant to the Rights Offering (including shares issuable upon exercise of the rights, warrants or options under the Rights Offering or upon the exercise of the exchange or conversion rights contained in such exchangeable or convertible securities under the Rights Offering).

Any common shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such calculation. To the extent that such Rights Offering is not so made or any such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price shall then be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed or if such expired rights, options or warrants had not been issued. From and after any adjustment of the Exercise Price pursuant to this Section 4(b), the number of Shares purchasable pursuant to this Warrant Certificate shall be adjusted contemporaneously with the adjustment of the Exercise Price by multiplying the number of Shares then otherwise purchasable on the exercise thereof by a fraction, the numerator of which shall be the Exercise Price in effect immediately prior to the adjustment and the denominator of which shall be the Exercise Price resulting from such adjustment.

- (c) Special Distribution. If and whenever during the Exercise Period the Corporation shall issue or distribute to all or to substantially all the holders of the common shares:

- (i) securities of the Corporation including shares, rights, options or warrants to acquire shares of any class or securities exchangeable for or convertible into or exchangeable into any such shares, or
- (ii) any cash, property or other assets or evidences of its indebtedness,

and if such issuance or distribution does not constitute a Share Reorganization or a Rights Offering (any of such non-excluded events being herein called a "Special Distribution"), the Exercise Price shall be adjusted immediately after the record date for the Special Distribution so that it shall equal the price determined by multiplying the Exercise Price in effect on such record date by a fraction:

- (i) the numerator of which shall be the difference between:
 - (A) the amount obtained by multiplying the number of common shares outstanding on such record date by the Current Market Price of the common shares on such record date, and
 - (B) the fair value (as determined by the directors of the Corporation) to the holders of such common shares of such Special Distribution; and
- (ii) the denominator of which shall be the total number of common shares outstanding on such record date multiplied by such Current Market Price of the common shares on such record date.

Any common shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation. To the extent that such Special Distribution is not so made or any such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price shall then be readjusted to the Exercise Price which would

then be in effect if such record date had not been fixed or if such expired rights, options or warrants had not been issued. From and after any adjustment of the Exercise Price pursuant to this Section 4(c), the number of Shares purchasable pursuant to this Warrant Certificate shall be adjusted contemporaneously with the adjustment of the Exercise Price by multiplying the number of Shares then otherwise purchasable on the exercise thereof by a fraction, the numerator of which shall be the Exercise Price in effect immediately prior to the adjustment and the denominator of which shall be the Exercise Price resulting from such adjustment.

- (d) Capital Reorganization. If and whenever during the Exercise Period there shall be a reclassification or redesignation of common shares at any time outstanding or a change of the common shares into other shares or into other securities or any other capital reorganization (other than a Share Reorganization), or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other corporation or other entity (other than a consolidation, amalgamation, arrangement or merger which does not result in any reclassification or redesignation of the outstanding common shares or a change of the common shares into other securities), or a transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity (any of such events being herein called a “Capital Reorganization”), the Holder, where he, she or it has not exercised the right of subscription and purchase under this Warrant Certificate prior to the effective date or record date, as the case may be, of such Capital Reorganization, shall be entitled to receive, and shall accept upon the exercise of such right for the same aggregate consideration, in lieu of the number of Shares to which such Holder was theretofore entitled upon such exercise, the kind and aggregate number of shares, other securities or other property which such holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, he had been the registered holder of the number of Shares to which such holder was theretofore entitled to subscribe for and purchase; provided however, that no such Capital Reorganization shall be carried into effect unless all necessary steps shall have been taken by the Corporation to so entitle the Holder. If determined appropriate by the board of directors of the Corporation, acting reasonably and in good faith, and subject to the prior written approval of the principal Canadian stock exchange or over-the-counter market on which the common shares are then listed or quoted for trading if required by such stock exchange or over-the-counter market, appropriate adjustments shall be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4 with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Section 4 shall thereafter correspondingly be made applicable as nearly as may reasonably be possible in relation to any shares, other securities or other property thereafter deliverable upon the exercise of any Warrant. Any such adjustments shall be made by and set forth in terms and conditions supplemental hereto approved by the board of directors of the Corporation, acting reasonably and in good faith.
- (e) If and whenever at any time after the date hereof and prior to the Expiry Time, the Corporation takes any action affecting its common shares to which the foregoing provisions of this Section 4, in the opinion of the board of directors of the Corporation, acting reasonably and in good faith, are not strictly applicable, or if strictly applicable would not fairly adjust the rights of the Holder against dilution in accordance with the intent and purposes thereof, or would otherwise materially affect the rights of the Holder hereunder, then the Corporation shall execute and deliver to the Holder an amendment hereto providing for an adjustment in the application of such provisions so as to adjust such rights as aforesaid in such a manner as the board of directors of the Corporation may determine to be equitable in the circumstances, acting reasonably and in good faith. The failure of the taking of action by the board of directors of the Corporation to so provide for any adjustment on or prior to the effective date of any action or occurrence giving rise to such state of facts will be conclusive evidence, absent manifest error, that the board of directors has determined that it is equitable to make no adjustment in the circumstances.

5. The following rules and procedures shall be applicable to the adjustments made pursuant to Section 4:

- (a) The adjustments provided for in Section 4 are cumulative and shall be made successively whenever an event referred to therein shall occur, and shall, in the case of adjustments to the Exercise Price be computed to the nearest one-tenth of one cent subject to the following paragraphs of this Section 5.

- (b) No adjustment in the Exercise Price shall be required unless such adjustment would result in a change of at least 1% in the prevailing Exercise Price and no adjustment shall be made in the number of Shares purchasable upon exercise of this Warrant Certificate unless it would result in a change of at least one one-hundredth of a Share; provided, however, that any adjustments which, except for the provisions of this Section 5(b) would otherwise have been required to be made, shall be carried forward and taken into account in any subsequent adjustment.
- (c) No adjustment in the Exercise Price or in the number of Shares purchasable upon exercise of Warrants shall be made in respect of any event described in Section 4, other than the events referred to in Sections 4(a)(ii) and (iii), if the Holder is entitled to participate in such event on the same terms, *mutatis mutandis*, as if it had exercised its Warrants prior to or on the effective date or record date, as the case may be, of such event. The terms of the participation of the Holder in such event shall be subject to the prior written approval, if applicable, of the principal Canadian stock exchange or over-the-counter market on which the Shares are then listed or quoted for trading.
- (d) No adjustment in the Exercise Price shall be made pursuant to Section 4 in respect of the issue from time to time:
 - (i) of Shares purchasable on exercise of the Warrants represented by this Warrant Certificate;
 - (ii) of common shares to holders of common shares who exercise an option or election to receive substantially equivalent dividends in common shares in lieu of receiving a cash dividend pursuant to a dividend reinvestment plan or similar plan adopted by the Corporation in accordance with the requirements of the principal Canadian stock exchange or over-the-counter market on which the common shares are then listed or quoted for trading and applicable securities laws; or
 - (iii) of common shares pursuant to any stock option, stock option plan, stock purchase plan or benefit plan in force at the date hereof for directors, officers, employees or consultants of the Corporation, as such option or plan is amended or superseded from time to time in accordance with the requirements of the principal Canadian stock exchange or over-the-counter market on which the common shares are then listed or quoted for trading and applicable securities laws, and such other stock option, stock option plan or stock purchase plan as may be adopted by the Corporation in accordance with the requirements of the principal Canadian stock exchange or over-the-counter market on which the common shares are then listed or quoted for trading and applicable securities laws;

and any such issue shall be deemed not to be a Share Reorganization or Capital Reorganization.

- (e) If the Corporation shall set a record date to determine the holders of the common shares for the purpose of entitling them to receive any dividend or distribution or any subscription or purchase rights and shall, thereafter and before the distribution to such shareholders of any such dividend, distribution or subscription or purchase rights, legally abandon its plan to pay or deliver such dividend, distribution or subscription or purchase rights, then no adjustment in the Exercise Price or the number of Shares purchasable upon exercise of any Warrant shall be required by reason of the setting of such record date.
- (f) As a condition precedent to the taking of any action which would require any adjustment in any of the subscription rights pursuant to this Warrant Certificate, including the Exercise Price and the number or class of shares or other securities which are to be received upon the exercise thereof, the Corporation shall take any corporate action which may, in the opinion of counsel, be necessary in order that the Corporation have unissued and reserved Shares in its authorized capital, and may validly and legally issue as fully paid and non-assessable all the shares or other securities which the Holder of such Warrant Certificate is entitled to receive on the full exercise thereof in accordance with the provisions hereof.
- (g) For the purposes of this Warrant Certificate, "Current Market Price" of a common share at any date shall be calculated as the price per share equal to the weighted average price at which the common shares have traded in the principal Canadian stock exchange or, if the common shares are not listed, the over-the-counter market, on which the common shares are then listed or posted for trading during the 20 consecutive trading days ending not more than five trading days immediately prior to such date as reported by such exchange or market in which the common shares are then trading or quoted. If the common shares are not then traded in the over-the-counter market or on a recognized Canadian stock exchange, the Current Market Price of the common shares shall be the fair market value of the common shares as determined in good faith by a nationally or internationally recognized and independent investment dealer, investment banker or firm of chartered accountants.

- (h) In the absence of a resolution of the board of directors of the Corporation fixing a record date for any dividend or distribution referred to in Section 4(a)(i) or any Rights Offering or Special Distribution, the Corporation shall be deemed to have fixed as the record date therefore the date on which such dividend or distribution, Rights Offering or Special Distribution is effected.
 - (i) Any question that at any time or from time to time arises with respect to the amount of any adjustment to the Exercise Price or other adjustments pursuant to Section 4 shall be conclusively determined by a firm of independent chartered accountants and shall be binding upon the Corporation and the Holder, absent manifest error. Notwithstanding the foregoing, such determination shall be subject to the prior written approval of the principal Canadian stock exchange or over-the-counter market on which the common shares are then listed or quoted for trading if required by such stock exchange or over-the-counter market.
6. On the happening of each and every such event set out in Section 4, the applicable provisions of this Warrant Certificate, including the Exercise Price, shall, *ipso facto*, be deemed to be amended accordingly and the Corporation shall take all necessary action so as to comply with such provisions as so amended.

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7. In any case in which Section 4 shall require that an adjustment shall be effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such an event:
- (a) issuing to the holder of any Warrant exercised after such record date and before the occurrence of such event, the additional Shares issuable upon such exercise by reason of the adjustment required by such event, and
 - (b) delivering to such holder any distributions declared with respect to such additional Shares after such Exercise Date and before such event;

provided, however, that the Corporation shall deliver or cause to be delivered to such holder, an appropriate instrument evidencing such holder's right, upon the occurrence of the event requiring the adjustment, to an adjustment in the Exercise Price and/or the number of Shares purchasable on the exercise of any Warrant and to such distributions declared with respect to any additional Shares issuable on the exercise of any Warrant.

8. At least 21 days prior to the effective date or record date, as the case may be, of any event which requires or might require adjustment in any of the subscription rights pursuant to this Warrant Certificate, including the Exercise Price and the number of Shares which are purchasable upon the exercise thereof, or such longer period of notice as the Corporation shall be required to provide holders of Shares in respect of any such event, the Corporation shall notify the Holder of the particulars of such event and, if determinable, the required adjustment and the computation of such adjustment. In case any adjustment for which such notice has been given is not then determinable, the Corporation shall promptly after such adjustment is determinable notify the Holder of the adjustment and the computation of such adjustment.
9. The Corporation shall maintain or cause to be maintained a register of holders in which shall be entered the names and addresses of the holders of the Warrants and of the number of Warrants held by them.
10. Where the Holder is entitled to receive on the exercise or partial exercise of its Warrants a fraction of a Share, such right may only be exercised in respect of such fraction in combination with another Warrant or Warrants which in the aggregate entitle the Holder to receive a whole number of Shares. If a Holder is not able to, or elects not to, combine Warrants so as to be entitled to acquire a whole number of Shares, the Holder may not exercise the right to acquire a fractional Share, and, does not have the right to receive a cash equivalent in lieu thereof.
11. Subject as herein provided, all or any of the rights conferred upon the Holder by the terms hereof may be enforced by the Holder by appropriate legal proceedings.
12. The registered Holder of this Warrant Certificate may at any time up to and including the Expiry Time, upon the surrender hereof to the Corporation at its principal office, exchange this Warrant Certificate for one or more Warrant Certificates entitling the Holder to subscribe in the aggregate for the same number of Shares as is expressed in this Warrant Certificate. Any Warrant Certificate tendered for exchange shall be surrendered to the Corporation and cancelled.

13. If this Warrant Certificate becomes stolen, lost, mutilated or destroyed, the Corporation shall, on such terms as it may in its discretion acting reasonably impose, issue and deliver to the Holder a new Warrant Certificate of like denomination, tenor and date as the Warrant Certificate so stolen, lost, mutilated or destroyed.
14. Nothing contained herein shall confer any right upon the Holder hereof or any other person to subscribe for or purchase any Shares of the Corporation at any time subsequent to the Expiry Time. After the Expiry Time this Warrant Certificate and all rights hereunder shall be void and of no value.

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15. Except as expressly set out herein, the holding of this Warrant Certificate shall not constitute a Holder hereof, a holder of Shares nor entitle it to any right or interest in respect thereof.
16. Unless herein otherwise expressly provided, any notice to be given hereunder to the Holder shall be deemed to be validly given if such notice is given by personal delivery or registered mail to the attention of the Holder at its registered address recorded in the registers maintained by the Corporation. Any notice so given shall be deemed to be validly given, if delivered personally, on the day of delivery and if sent by post or other means, on the fifth Business Day next following the sending thereof. In determining under any provision hereof the date when notice of any event must be given, the date of giving notice shall be included and the date of the event shall be excluded.
17. Time is of the essence hereof.
18. This Warrant Certificate is binding upon the Corporation and its successors and assigns.
19. The laws of the Province of Ontario and the federal laws of Canada applicable shall govern this Warrant Certificate and the Warrants represented hereby therein. References to "\$" is a reference to Canadian dollars.

IN WITNESS WHEREOF this Warrant Certificate has been executed on behalf of NextSource Materials Inc. as of May 19, 2021

NEXTSOURCE MATERIALS INC.

Per: _____
Authorized Signing Officer

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SUBSCRIPTION NOTICE

TO: NextSource Materials Inc.,
Exchange Tower, 130 King Street West, Suite 1940
Toronto ON M5X 2A2, Canada

Terms used herein but not otherwise defined have the meanings ascribed thereto in the attached Warrant Certificate.

The undersigned registered Holder of the attached Warrant Certificate (the "Subscriber"), hereby:

- (a) subscribes for _____ Shares at a price per of \$0.10 per Share (or such adjusted price which may be in effect under the provisions of the Warrant Certificate) and in payment of the Exercise Price encloses a certified cheque, bank draft or money order in lawful money of Canada payable to the order of NextSource Materials Inc. or its successor corporation; and
- (b) delivers herewith the above-mentioned Warrant Certificate entitling the undersigned to subscribe for the above-mentioned number of Shares;

in each case in accordance with the terms and conditions set out in the attached Warrant Certificate.

The Holder hereby certifies that the undersigned is not a U.S. Person or a person in the United States and is not acquiring any of the Shares hereby subscribed for the account or benefit of a U.S. Person or a person in the United States, and none of the persons listed in paragraph (b) above is a U.S. Person or a person in the United States. For purposes hereof the terms "United States" and "U.S. Person" shall have the meanings ascribed to them in Regulation S under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act").

Share certificates will not be registered or delivered to an address in the United States without an opinion of counsel to the effect that the Shares have been registered under the U.S. Securities Act or an exemption from registration is available.

The Shares purchased hereunder will either settle in definitive certificates or will be deposited electronically with CDS Clearing and Depository Services Inc. ("CDS") through the book-based system administered by CDS. If the Shares are deposited electronically with CDS, the Subscriber will not be entitled to receive definitive certificates or other instruments from NextSource Materials Inc. or CDS representing their interest in the securities purchased hereunder. The Subscriber will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the securities hereunder are purchased against payment of the Subscription Amount.

The Subscriber hereby provides the registration and delivery instructions below in connection with the definitive certificates or electronic settlement of the Shares being purchased hereunder:

<u>Share Certificate Registration Instructions:</u>

(Registration Name)

(Account Reference / Number, if applicable)

(Registration Mailing Address, including Postal Code)

(Contact Name)

(Contact Telephone Number) (Contact Fax Number)
<i>(Please print full name in which share certificates and warrant certificates are to be issued. If any of the Shares are to be issued to a person or persons other than the Holder, the Holder must pay to the Corporation all</i>

<u>Share Certificate Delivery Instructions:</u>

(Delivery Name)

(Account Reference / Number, if applicable)

(Delivery Mailing Address, including Postal Code)

(Contact Name)

(Contact Telephone Number) (Contact Fax Number)

requisite taxes or other governmental charges.)

DATED this _____ day of _____, 20_____.

(Signature of Holder)

(Print Name of Holder)

(Holder Address)

(Holder City, Province, Country)

(Holder Phone Number)

(Holder Email Address)

DATED: 8 FEBRUARY 2021

NEXTSOURCE MATERIALS INC.
as the Company

VISION BLUE RESOURCES LIMITED
as the Investor

INVESTMENT AGREEMENT
relating to NextSource Materials Inc.

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EXECUTION VERSION

Agreed Form documents

Chairman Letter of Consent

Investor Lock-Up Agreement Warrant

Announcement

DATED: 8 FEBRUARY 2021

PARTIES

- (1) **NEXTSOURCE MATERIALS INC**, a company incorporated in Canada whose registered office is at 130 King Street West, Exchange Tower, Suite 1940, Toronto, ON M5X 2A2 (the “**Company**”)
- (2) **VISION BLUE RESOURCES LIMITED**, a company incorporated in Guernsey with registered number 67870 whose registered office is at Third Floor, 1 Le Truchot, St Peter Port, Guernsey GY1 1WD (the “**Investor**”)

(each a “**party**” and together, the “**parties**”).

BACKGROUND

- (A) The Company is the ultimate parent company of the Project Companies (as defined below), companies that respectively hold the rights to develop and exploit the GG Vanadium Project (as defined below) and the Molo Graphite Project (as defined below).
- (B) This Agreement sets out the terms on which the Investor is willing to invest in the Company by subscribing for shares, and warrants in respect of the acquisition of shares, in the capital of the Company.
- (C) This Agreement has been executed by the parties and delivered by each of them on the date stated above.

OPERATIVE PROVISIONS

1 DEFINITIONS AND INTERPRETATION

1.1 In this Agreement:

“**Accounts**” means the audited consolidated statements of financial position as at the Accounts Date, and the audited consolidated statements of operations and comprehensive loss as at the Accounts Date and the audited consolidated statements of cash flows for the financial year ended on the Accounts Date of the Company.

“**Accounts Date**” means 30 June 2020.

“**Agreed Form**” means, in relation to any document, the form of that document approved and, for identification purposes, identified as being in the agreed form by or on behalf of the Company and the Investor (including by exchange of emails between the their respective legal advisers), as applicable, and in each case with such alterations as may be agreed in writing between the Company and the Investor from time to time.

“**Affiliate**” means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by or is under direct or indirect common control with such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to “**control**” another Person if such Person owns, directly or indirectly, more than 50% of the issued share capital or the voting rights attaching to the issued share capital of such other Person or possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise; and the term “controlled” shall have a similar meaning.

“**Announcement**” means the Company’s announcement of this Agreement and the Royalty in the Agreed Form, subject to such changes as may be required by IIROC.

“**Articles**” means the articles of the Company, as amended or replaced from time to time.

“**ATM Offering**” means an “at-the-market distribution” within the meaning of National Instrument 44-102 – Shelf Distributions.

“**Board**” means the board of directors of the Company from time to time.

“**Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which the clearing banks in the City of London, United Kingdom or chartered banks in Toronto, Canada are open for business.

“**By-laws**” means the by-laws of the Company, as amended or replaced from time to time.

“**Canada**” means the nation of Canada together with its provinces and territories.

“**Chairman Letter of Consent**” means the letter of consent of Sir Mick Davis in the Agreed Form consenting to act as Chairman of the Board with effect on and from the First Completion.

“**Common Shares**” means the common shares in the capital of the Company.

“**Completion**” means the First Completion or the Second Completion.

“**Core People**” means each of the Directors, Marc Johnson, and Brent Nykoliation.

“**Confidential Information**” means information of a confidential or commercially sensitive nature (however stored) relating to the business, customers, financial and/or other affairs of any Group Company including, but not limited to, Intellectual Property Rights (whether owned or licensed by such Group Company), lists of customers, reports, notes, memoranda and all other documentary records pertaining to any Group Company or its business affairs, finances, suppliers, customers or contractual or other arrangements.

“**Consolidation**” means the 10 for 1 Common Share consolidation expected to be carried out by the Company prior to the date of the Second Completion (and pursuant to which, for the avoidance of doubt, any outstanding options or warrants of the Company and their associated strike prices shall be adjusted accordingly).

“**Director**” means a director of the Company from time to time.

“**Encumbrance**” means a mortgage, charge, pledge, lien, rent charge or other security interest of any description or nature and interest or legal or equitable right or claim of any third party or any option or right of pre-emption or right of conversion or right of set-off, any retention of title or hypothecation and any agreement to create any of the foregoing, but not including any restriction on transfer pursuant to applicable securities laws or by way of transfer restriction otherwise agreed by the parties to this Agreement.

“**Financing Fee**” means US\$1,500,000.

“**First Completion**” means the performance by the parties of their respective obligations in Clause 4.1.

“**GG Vanadium Project**” means the exploration, development and commercialisation of vanadium deposits situated in south-central Madagascar which is located at 145 km southeast of the city of Toliara, in the Tulear region near Fotadrevo, covering an area of 225 km² situated in two separate blocks.

“**Graphite Permits**” means Exploitation Permit PE #39807, Exploration Permit PR #39806, Exploration Permit PR #39810 and the Environmental Licence granted to ERG Madagascar SARLU in connection with the Molo Graphite Project.

“**Group**” means the Company and its Affiliates from time to time, and “**Group Company**” and “**member of the Group**” shall be construed accordingly.

“**Initial Purchase Price**” is as defined and determined under the Royalty Agreement.

“**Intellectual Property Rights**” means all copyright and rights in the nature of copyright, database rights, design rights, patents, rights in inventions, supplementary protection certificates, petty patents, utility models, semi-conductor topography rights, plant variety rights, trade marks (including all goodwill in them) and domain names, registrations and applications for registration of any of the above, moral rights, know-how, confidential information, and any other intellectual or industrial property rights, whether now known or in the future arising, and whether subsisting, in Canada, Madagascar or any other part of the world.

“**Interim Accounts**” means the unaudited financial results of the Group for the period 1 July 2020 to 30 September 2020, which were filed on SEDAR on November 13, 2020.

“**Investor Director**” has the meaning given to it in Clause 12.3.

“**Investor Lock-Up Agreement**” means the lock-up agreement in the Agreed Form to be entered into by the Investor.

“**Investor Warranties**” means the warranties set out in Schedule 4 (*The Investor Warranties*).

“**Investor’s Diluted Ownership Percentage**” means the percentage equal to the fraction, the numerator of which is the sum of (a) all Common Shares held by the Investor plus (b) all securities exercisable, convertible or exchangeable into Common Shares held by the Investor, whether or not such securities are subject to any conditions or restrictions on exercise, conversion or exchange, on an “as converted basis” and the denominator of which is the sum of (c) all outstanding Common Shares, and (d) all securities exercisable, convertible or exchangeable into Common Shares, whether or not such securities are subject to any conditions or restrictions on exercise, conversion or exchange.

“**Investor’s Group**” means the Investor and:

- (a) each of its Affiliates; and
- (b) Sir Mick Davis and each of his Affiliates.

“Irrevocable Undertakings” means undertakings to be entered into on the date of this Agreement by each of the Core People and delivered to the Investor irrevocably agreeing to vote in favour of the resolution referred to Clause 3.2(b) to be passed at a special meeting of the Shareholders of the Company in connection with the subscription for and the issue of the Tranche Two Subscription Shares, the Warrants and, upon exercise of any Warrants, the Common Shares underlying such Warrants to the Investor in accordance with the TSX Listing Rules.

“Lock-Up Agreements” means the lock-up agreements to be entered into on the date of this Agreement by each of the Core People.

“Longstop Date” means 28 May 2021.

“Market Rules” means the listing rules and any other laws, regulations or rules applicable to the Company as a result of its securities being listed or traded on the TSX (including the TSX Listing Rules) and/or OTCQB or any other stock exchange on which the Common Shares are listed for trading from time to time.

“Material Adverse Change” means any fact, matter, event, circumstance, condition or change occurring on or after the date of this Agreement which individually or in the aggregate, in the reasonable opinion of the Investor, materially and adversely affects the business, operations, assets, liabilities, condition (whether financial or otherwise) or prospects of the Group or the Molo Graphite Project or the Graphite Permits.

“Material Mineral Property” means the Property Rights in respect of the Graphite Permits.

“Molo Graphite Project” means the commercialisation of the flake graphite deposits situated in the Tulear region of south-western Madagascar which is located 11.5km east of the town of Fotadrevo, covering an area of 62.5 hectares.

“NI 43-101” means National Instrument 43-101 – Standards of Disclosure for Mineral Projects, of the Canadian Securities Administrators.

“OTCQB” means the Venture Market operated through OTC Link, an inter-dealer quotation and trading system developed by OTC Markets Group.

“Phase One” means, in respect of Molo Graphite Project, the construction, erection, commissioning and operation of a graphite mine and processing plant capable of processing 240,000 tonnes per annum of ore in Madagascar, with expected saleable flake graphite concentrate production of 17,000 tonnes per annum.

“Phase Two” means, in respect of Molo Graphite Project, the design and costing for the expansion of mining and processing equipment to target saleable flake graphite concentrate with expected combined saleable flake graphite concentrate production of at least 45,000 tonnes per annum but anticipated to be well in excess of 50,000 tonnes per annum.

“Permits” means the Graphite Permits and the Vanadium Permits.

“Person” means an individual, sole proprietorship, body corporate, company, partnership, firm, entity, limited partnership, joint venture, trust or unincorporated association, unincorporated syndicate, unincorporated trust, a government or any agency or instrumentality thereof and where the context so requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.

“Projects” means the Molo Graphite Project and the GG Vanadium Project.

“**Project Companies**” means ERG Madagascar SARLU, a company incorporated in Madagascar, NextSource Minerals (Madagascar) SARLU, a company incorporated in Madagascar, NextSource Materials (Mauritius) Ltd., a company incorporated in Mauritius and NextSource Graphite (Mauritius) Ltd., a company incorporated in Mauritius, further details of such companies are set out in Schedule 1, Part 2 (The Subsidiaries) and “**Project Company**” shall be construed accordingly.

“**Property Rights**” means any and all of a Group Company’s material direct and indirect rights, title and interests, from time to time, to and in any mining and mineral processing and treatment projects, including the Material Mineral Property, and any material property, assets, options, leases, project concessions, claims, contractual, statutory or other rights or arrangements for the exploration, exploitation, extraction, processing and/or treatment of any mineral properties and/or operation of any related project facilities and infrastructure.

“**Public Disclosure Record**” means, without limitation, all information about the Group contained in any press release, financial statement, prospectus, annual information form, offering memoranda, or other public disclosure document released pursuant to Market Rules or filed on SEDAR or any other applicable securities regulatory authorities since January 1, 2019.

“**Royalty**” has the meaning ascribed thereto in the Royalty Agreement.

“**Royalty Agreement**” means the royalty agreement between Investor (as royalty holder), ERG (Madagascar) LTD. SARLU (as graphite holder), NextSource Minerals (Madagascar) SARLU (as vanadium grantor) and each of NextSource Materials Inc, NextSource Graphite (Mauritius) Limited, NextSource Minerals (Mauritius) Limited, NextSource Materials (Mauritius) Ltd (as guarantors) dated as of the date of this Agreement.

“**Second Completion**” means the performance by the parties of their respective obligations in Clause 4.3.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval at www.sedar.com, maintained by the Canadian Securities Administrators.

“**SG Processing Plant**” means a value-add processing plant operated by the Group at Madagascar capable of spheronizing and purifying flake graphite concentrate into a spherical uncoated graphite suitable as battery anode precursor with targeted production of 20,000 tonnes per annum of spherical graphite.

“**Shareholder**” means a Person whose name is entered in the shareholder register of the Company as the holder of one or more Shares from time to time.

“**Shares**” means shares in the Company from time to time.

“**Subscription Price**” means the Tranche One Aggregate Subscription Price and the Tranche Two Aggregate Subscription Price.

“**Subscription Shares**” means the Tranche One Subscription Shares and the Tranche Two Subscription Shares.

“**Subsidiary**” means each entity listed in Schedule 1, Part 2 (*The Subsidiaries*) and “**Subsidiaries**” shall be interpreted accordingly.

“**Surviving Provisions**” means together, this Clause 1 (*Definitions and interpretation*), Clause 5 (*Termination and withdrawal*), Clause 13 (*Costs*), Clause 14 (*Payments*), Clause 16 (*Assignment*), Clause 17 (*Duration*), Clause 18 (*No partnership*), Clause 20 (*Confidentiality*), Clause 21 (*Announcements*), Clause 22 (*Entire agreement*), Clause 23 (*Variation*), Clause 24 (*Waiver*), Clause 25 (*Cumulative rights*), Clause 26 (*Invalidity*), Clause 27 (*Communications*), Clause 28 (*Time of the essence*), Clause 29 (*Liability*), Clause 30 (*Counterparts*) and Clause 31 (*Governing law and jurisdiction*).

“**Tax**” or “**Taxation**” means all means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Taxation Authority, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, transfer taxes (including, without limitation, taxes relating to the transfer of interests in real property or entities holding interests therein),

franchise taxes, licence taxes, withholding taxes, payroll taxes, employment taxes, Canada Pension Plan or Quebec Pension Plan premiums, excise, severance, social security, workers' compensation, employment insurance or compensation taxes or premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, harmonized sales tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, together with any interest, penalties, additional amounts or additions to tax imposed by any Taxation Authority with respect to the foregoing.

“**Taxation Authority**” means any governmental, state, federal or other fiscal, revenue, customs or excise authority, department, agency, body or office whether in Canada or elsewhere in the world having authority or jurisdiction for any Tax purpose.

“**Technical Report**” means the technical report prepared pursuant to National Instrument 43-101 in respect of the Molo Graphite Project titled “Molo Feasibility Study, National Instrument 43-101 Technical Report On the Molo Graphite Project located near the village of Fotadrevo in the Province of Toliara, Madagascar”.

“**Top-Up Right**” has the meaning ascribed to such term in Clause 8.4.

“**Top-Up Right Acceptance Notice**” has the meaning ascribed to such term in Clause 8.5.

“**Top-Up Right Notice Period**” has the meaning ascribed to such term in Clause 8.5.

“**Top-Up Right Offer Notice**” has the meaning ascribed to such term in Clause 8.5.

“**Top-Up Securities**” has the meaning ascribe to such term in Clause 8.4.

“**TSX**” means the Toronto Stock Exchange operated by TMX Group Limited.

“**TSX Conditional Approval**” means conditional approval letter from the TSX for the Tranche One Subscription Shares, Tranche Two Subscription Shares and the Warrants and the listing of the Subscription Shares and the Common Shares underlying the Warrants.

“**TSX Listing Rules**” means the rules and regulations of the TSX applicable to listed issuers as set out in the Company Manual of the TSX.

“**Tranche One Aggregate Subscription Price**” means the cash sum of US\$6,084,000, being the aggregate subscription price for the Tranche One Subscription Shares at a price per Tranche One Subscription Share equal to the Tranche One Subscription Price converted into US dollars using the rate USD:CAD 1:1.281.

“**Tranche One Subscription Price**” means CAD\$0.065 per Subscription Share.

“**Tranche One Subscription Shares**” means 120,000,000 Common Shares in aggregate to be subscribed for by the Investor pursuant to this Agreement.

“**Tranche Two Aggregate Subscription Price**” means the cash sum of US\$12,416,000, being the aggregate subscription price for the Tranche Two Subscription Shares at a price per Tranche Two Subscription Share equal to the Tranche Two Share Subscription Price.

“**Tranche Two Condition**” has the meaning given to such term in Clause 3.2(b).

“**Tranche Two Share Subscription Price**” means US\$0.053484307 per Common Share (as proportionately adjusted in the event that the Consolidation becomes effective prior to Second Completion), being C\$0.07 converted into Canadian dollars using the rate USD:CAD 1:1.3088.

“**Tranche Two Subscription Shares**” means 232,142,857 Common Shares (as proportionately adjusted in the event that the Consolidation takes place).

“**Unit**” means a unit comprising one Common Share and one Warrant.

“**U.S. Securities Act**” means the US Securities Act of 1933, as amended.

“**Vanadium Permits**” means Exploitation Permit numbers 12306, 12814, 12887, 13020, 13021 and 12888 granted to NextSource Minerals (Madagascar) SARLU in connection with the GG Vanadium Project and any other vanadium permit(s) stated in the Public Disclosure Record to be held by or granted to the Group in connection with the GG Vanadium Project.

“**Warrant**” means the agreement in the Agreed Form in respect of the issue by the Company to the Investor of the Warrants.

“**Warrant Subscription Price**” means CAD\$nil per Warrant.

“**Warranties**” means the warranties set out in Schedule 3

“**Warrants**” means 232,142,857 common share purchase warrants to be issued by the Company to the Investor on the terms of the Warrant exercisable on and from the date of Second Completion until and including the second anniversary of the Second Completion to purchase Common Shares at an exercise price of C\$0.10 per Common Share (as such number and such price are adjusted for the Consolidation in accordance with the provisions of the Warrant as if it was in force at that time where the Consolidation becomes effective prior to Second Completion).

“**Warranty Claim**” means any claim against the Company for a breach of any of the Warranties.

- 1.1 A reference to a statute or statutory provision is a reference to that statute or statutory provision and to all orders, regulations, instruments or other subordinate legislation made under the relevant statute.
- 1.2 Any reference to a statute, statutory provision, subordinate legislation, code or guidance is a reference to such statutory provision as amended and in force from time to time and to any statutory provision which re-enacts or consolidates (with or without modification) any such statutory provision.
- 1.3 Reference to:
 - (a) a Person includes a legal or natural Person, partnership, trust, company, government or local authority department or other body (whether corporate or unincorporate);
 - (b) a statutory or regulatory body shall include its successors and any substituted body;
 - (c) an individual includes, where appropriate, his personal representatives;
 - (d) the singular includes the plural and vice versa;
 - (e) one gender includes all genders; and
 - (f) a governmental, regulatory or administrative authority or other agency or body that ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed, means the agency or body which performs most closely the functions of that authority, agency or body.
- 1.4 Unless otherwise stated, a reference to a Clause or Schedule is a reference to a Clause or Schedule to this Agreement, and a reference to this Agreement includes its Schedules.
- 1.5 Clause headings in this Agreement and in the Schedules are for ease of reference only and do not affect its construction.
- 1.6 In construing this Agreement, the so-called ejusdem generis rule does not apply and accordingly the interpretation of general words shall not be restricted by words indicating a particular class or particular examples.

1.7 References to any holdings of Common Shares shall include any Common Shares beneficially owned by the Investor through any nominee, depository or custodian or through a broker, whether in the name of the Investor or otherwise, including without limitation in electronic or dematerialised form.

2 EXCHANGE

2.1 On the date of this Agreement, the Investor shall deliver to the Company the items listed in Schedule 2, Part A (Investor exchange deliverables).

2.2 On the date of this Agreement, the Company shall deliver to the Investor the items listed in Schedule 2, Part B (Company exchange deliverables).

3 SUBSCRIPTION FOR SHARES AND WARRANTS

3.1 On the First Completion, the Investor agrees to subscribe for, and the Company agrees to issue as fully paid and non-assessable, the Tranche One Subscription Shares free from any Encumbrance and on the terms of this Agreement in consideration for the payment by the Investor of the Tranche One Aggregate Subscription Price to the Company.

3.2 The Second Completion shall be conditional upon:

- (a) the First Completion occurring;
- (b) a resolution having been passed at a special meeting of the Shareholders of the Company approving the subscription for and the issue of the Tranche Two Subscription Shares, the Warrants and, upon exercise of any Warrants, the Common Shares underlying such Warrants to the Investor in accordance with the TSX Listing Rules and written acceptance thereof by the TSX (the “**Tranche Two Condition**”); and
- (c) the Company providing to the Investor evidence that the Tranche Two Condition has been satisfied.

3.3 Subject to the satisfaction of the Tranche Two Condition and the satisfaction or the waiver by the Investor of the other conditions in Clause 3.2 above on or before the Longstop Date, on the Second Completion, the Investor agrees to subscribe for, and the Company agrees to issue as fully paid and non-assessable, the Tranche Two Subscription Shares and the Warrants, in each case free from any Encumbrance and on the terms of this Agreement in consideration for the payment by the Investor of the Tranche Two Aggregate Subscription Price to the Company.

3.4 The Company must use all commercially reasonable efforts to ensure that the Tranche Two Condition and the other conditions in Clause 3.2 are satisfied as soon as possible after the execution of this Agreement and to send notice of the special meeting referred to in Clause 3.2 by no later than 31 March 2021 and convene the special meeting referred to in Clause 3.2 for a date no later than 21 May 2021.

3.5 The Company shall:

- (a) give notice in writing to the Investor as soon as reasonably practicable after the Company becomes aware that the Tranche Two Condition has been satisfied or has become incapable of being satisfied; and
- (b) provide to the Investor as soon as practicable any document or other reasonable evidence that evidences that the Tranche Two Condition has been satisfied or has become incapable of being satisfied.

3.6 The Company shall procure that any Subscription Shares that are issued pursuant to this Clause 3 are issued with effect from 9.30 am (EST) on the applicable date of Completion. The Company shall procure that the listing of the Subscription Shares on the TSX occurs as soon as reasonably practicable following the issue of the relevant Subscription Shares and in any event within one Business Day of the issue of the relevant Subscription Shares (or by such later time and/or date as the Company and the Investor may agree in writing).

- 3.7 The Investor consents to the entry of its name in the register of Shareholders as the holder of the Subscription Shares for which it has subscribed and had issued to it.
- 3.8 The Company shall take all such actions and do all such things and pay any associated fees to procure that the Subscription Shares are also admitted to trading on the OTCQB as soon as reasonably practicable following the applicable date of Completion.
- 3.9 The Company will give all such undertakings, execute all such documents, pay all such fees and do or procure to be done all such things as may be required by the TSX in connection with the issuance and listing of the Subscription Shares as soon as reasonably practicable after the signing of this Agreement and also the Common Shares underlying the Warrants, or as may be required by or necessary to comply with any applicable Canadian, Mauritius, Madagascar regulatory authority, including obtaining all requisite corporate, shareholder and regulatory consents and approvals and completing all requisite regulatory filings, including all customary post-closing filings.
- 3.10 The parties acknowledge that it is the Company's intention to conduct the Consolidation prior to the Second Completion. Where the Company undertakes the Consolidation following the First Completion, the price and number of the Second Tranche Subscription Shares will be increased or, as the case may be, reduced in due proportion with effect from the record date for such Consolidation. In addition, the number and price of the Warrants to be issued shall be adjusted to give the Investor the number and/or nominal amount of Common Shares to be subscribed on any exercise of Warrants subsequent to the record date for such Consolidation and the exercise price for such Warrants will be increased or, as the case may be, reduced in due proportion with effect from the record date for such Consolidation.

4 COMPLETION AND POST COMPLETION

- 4.1 First Completion shall take place at 8.00 am (Toronto time) at the offices of Cassels Brock & Blackwell LLP on the later of 23 February 2021 and the 4th Business Day after receipt of the TSX Conditional Approval in respect of the Tranche One Subscription Shares, or such other date as agreed between the Investor and the Company in writing, when the parties shall fulfil their respective obligations as set out in Part 1, Schedule 5 (*Completion matters*).
- 4.2 On First Completion, the Company shall procure the issue and delivery of a legal opinion to the Investor from the Company's legal counsel, in form and substance satisfactory to the Investor acting reasonably, with respect to the laws of Canada, confirming that the Company is validly incorporated under the laws of Canada and has the capacity to enter into and perform its obligations under this Agreement, that all necessary consents, approvals and clearances required under the laws of Canada for the Company's entry into and performance of this Agreement have been obtained and that the Agreement is legal, valid and enforceable under the laws of Ontario.
- 4.3 Second Completion shall take place at 8.00 am (Toronto time) at the offices of Cassels Brock & Blackwell LLP on the 4th Business Day after the conditions in Clause 3.2 have been satisfied or waived in accordance with Clause 3.3, or such other date as agreed between the Investor and the Company in writing, when the parties shall fulfil their respective obligations as set out in Part 2, Schedule 5 (*Completion matters*).

- 4.4 Notwithstanding Clause 4.1 and Clause 4.3, the parties may elect to effect a Completion electronically by way of exchange of documents and signatures, in which case each party must provide original documents (other than those original documents that they agree need not be provided) within 20 Business Days after that Completion.

5 TERMINATION AND WITHDRAWAL

- 5.1 If:

- (a) at any time prior to First Completion the Investor becomes aware that:
- (i) any of the Warranties given on signing of this Agreement was, when given, untrue or inaccurate, or is not, or has ceased to be, true or accurate (or would not be true or accurate if then repeated) by reference to the facts subsisting at the time; or
 - (ii) there has occurred a suspension or cancellation of the listing of the Company's securities; or
 - (iii) the Company has failed to comply with any of its obligations under this Agreement; or
 - (iv) there has occurred, in the Investor's opinion, acting in good faith, a Material Adverse Change; or
- (b) First Completion has not occurred in accordance with Clause 4.1 (other than as a result of a default by the Investor to comply with its obligations under Clause 4.1 and Part 1, Schedule 5 (Completion matters)),
- then the Investor may, in its absolute discretion, by notice in writing to the Company (or by orally communicating the same to the Company) terminate this Agreement with immediate effect; or
- (c) at any time after the First Completion up until the Second Completion the Investor becomes aware that:
- (i) any of the Warranties given on signing of this Agreement or given as at the date of the First Completion was, when given, untrue or inaccurate, or is not, or has ceased to be, true and accurate (or would not be true and accurate if then repeated) by reference to the facts subsisting at the time; or
 - (ii) there has occurred a suspension or cancellation of the listing of the Common Shares; or
 - (iii) the Company has failed to comply in all material respects with any of its obligations under this Agreement; or
 - (iv) the Tranche Two Condition is incapable of being satisfied; or
 - (v) there has occurred, in the Investor's opinion, acting in good faith, a Material Adverse Change; or
- (d) Second Completion has not occurred in accordance with Clause 4.3 (other than as a result of a default by the Investor to comply with its obligations under Clause 4.3), then the Investor may, in its absolute discretion, by notice in writing to the Company (or by orally communicating the same to the Company) terminate the Investor's obligations to comply with Clause 4.3 and Part 2, Schedule 5 (Completion matters).

5.2 If at any time after the First Completion up until the earlier of Second Completion or the resolution referred to in Clause 3.2(b) is not passed at the meeting referred to in that Clause, following his appointment, Sir Mick Davis voluntarily resigns as, or is no longer legally able to hold the role of, either Chairman or Director of the Company (other than by virtue of his death or incapacity), or as a director of the Investor, then the Company may, in its absolute discretion, by notice in writing to the Investor (or by orally communicating the same to the Investor) terminate the Company's obligations in respect of the Second Completion and to comply with Clause 4.3 and Part 2, Schedule 5 (Completion matters).

5.3 If this Agreement is terminated on or before the First Completion pursuant to this Clause 5 (Termination and withdrawal), this Agreement shall cease and determine and Investor shall not be under any obligation to complete its subscription for the Subscription Shares or the Warrants as contemplated by this Agreement, and no party to this Agreement shall have any claim against any other party to this Agreement for costs, damages, compensation or otherwise except that such termination shall be without prejudice to:

- (a) any accrued rights or obligations under this Agreement, including, without limitation, those arising by reason of any antecedent breach of this Agreement; and
- (b) the provisions of the Surviving Provisions,

all of which shall survive such termination.

- 5.4 If the Investors' obligations to comply with Clause 4.3 and Part 2, Schedule 5 (Completion matters) are terminated after First Completion but on or before Second Completion pursuant to this Clause 5 (Termination and withdrawal), the Investor shall not be under any obligation to complete its subscription for the Tranche Two Subscription Shares and Warrants contemplated by this Agreement, and the Company shall not have any claim against the Investor in respect of the Second Completion.
- 5.5 The Company agrees that, if it becomes aware that, prior to any Completion, any of the representations or Warranties given or made by the Company are untrue or inaccurate (or any fact, matter, circumstance or event has come to its knowledge which, if the Warranties were repeated at such time, would render the Warranties untrue or inaccurate or misleading), it shall promptly (and in event within 1 Business Day of becoming so aware) notify the Investor in writing of the same.

6 ROYALTY

- 6.1 The Royalty Agreement is being signed contemporaneous herewith. Following the payment of the Initial Purchase Price in accordance with the Royalty Agreement, the Company will forthwith pay to the Investor the Financing Fee to such account as may be nominated by the Investor and the Investor shall be entitled to set off any payments due from it to any member of the Company's Group (but not yet paid) under the Royalty Agreement against any payment which the Company is required to pay (but has not yet paid) in accordance with this Clause 6

7 FURTHER FUNDING

- 7.1 Where further funding for Phase Two is required by the Group as determined by the Board, the Company shall notify the Investor of the same and the Investor shall have a right of first refusal exercisable at its sole discretion to provide (or direct that any other member(s) of the Investor's Group provide(s)) all or part of the funding sought by the Group on terms to be agreed between the Company and the Investor provided that such terms are no more onerous than those available from any third party.
- 7.2 The Investor shall not be required to make any loans to, or subscribe for any shares in any Group Company (other than the Investor's obligation to subscribe for the Subscription Shares and Warrants pursuant to this Agreement), nor to provide guarantees, indemnities or other security for the obligations of any Group Company.

8 ISSUE OF NEW DEBT OR EQUITY SECURITIES

- 8.1 For so long as the Investor holds Common Shares representing at least 10% of the issued and outstanding Common Shares of the Company, the Company undertakes as follows:
- (a) If the Company proposes to issue (an "**Issuance**") any equity securities, or securities exercisable, convertible or exchangeable into equity securities (including, without limitation, warrants, options and convertible loan notes), of the Company (the "**Equity Securities**"), whether pursuant to a public offering (excluding, for greater certainty, the filing of a base shelf prospectus but including any prospectus supplement filed pursuant to such base shelf prospectus), a private placement or otherwise (an "**Equity Financing**"), the Company shall provide the Investor reasonable notice (the "**Equity Financing Notice**") of such intended Issuance prior to the earlier of the (i) expected completion date of the Issuance, or (ii) press release or other public disclosure of such intended Issuance, including the type and number of Equity Securities, the price per Equity Security to be issued under the Equity Financing, the expected use of proceeds of the Equity Financing and the expected closing date of the Equity Financing to the extent known at the time.
- (b) The Company agrees that, subject to the receipt of all required regulatory approvals (including the approval of the TSX), the Investor has the right (but not the obligation) (the "**Participation Right**"), upon receipt of an Equity Financing Notice, to subscribe for and to be issued, as part of any public offering (excluding, for greater certainty, the filing of a base shelf prospectus but including any prospectus supplement filed pursuant to such base shelf prospectus), subject to Clause 8.1(b)(ii), or on a private placement basis in connection with any other Equity Financing, and at the subscription price per Equity Security pursuant to the Equity Financing, and otherwise on substantially the same terms and conditions of the Equity Financing:

- (i) in the case of an Equity Financing of Common Shares, up to such number of Common Shares that will allow the Investor to maintain a percentage ownership interest in the outstanding Common Shares that is the same as the Investor's ownership percentage immediately preceding the Issuance; and

- (ii) in the case of an Equity Financing of or that includes Equity Securities that are not Common Shares, up to such number of Equity Securities that will (assuming conversion, exercise or exchange of all of the convertible, exercisable or exchangeable Equity Securities issued in connection with the Equity Financing and issuable to the Investor pursuant to this Clause 8.1(b)) allow the Investor to maintain the same Investor's Diluted Ownership Percentage in the Company that the Investor held immediately preceding the Issuance.
 - (c) The Company agrees that if an Equity Financing is made on a public basis by way of a prospectus, the Company shall use its commercially reasonable efforts to include any Equity Securities to be issued to the Investor pursuant to its Participation Right as part of the prospectus offering, provided that if the Company is unable, despite using its commercially reasonable efforts, to include such Equity Securities as part of the prospectus offering, the Company shall use its commercially reasonable efforts, if the Investor elects to purchase such Equity Securities, to issue and sell such Equity Securities to the Investor on a private placement basis as soon as reasonably practicable following the closing of such Equity Financing, subject to applicable Canadian securities laws and/or the rules of the TSX or such other stock exchange on which the Shares are listed at the time.
 - (d) If the Investor wishes to exercise the Participation Right in respect of a particular Equity Financing, the Investor shall give written notice to the Company (the "**Exercise Notice**") of the exercise of such right and of the number of Equity Securities that the Investor wishes to purchase within five Business Days following the receipt by the Investor of the Equity Financing Notice (or two Business Days in the case of any Equity Financing to be completed by way of a prospectus supplement filed pursuant to a base shelf prospectus), failing which the Investor will not be entitled to exercise the Participation Right in respect of such Equity Financing. In the event the Equity Financing is a "bought deal" public offering to be completed by way of prospectus (in either case, the "**Notice Period**"), and the Participation Right is exercised, the Company shall issue and sell such Equity Securities to the Investor on a private placement basis as soon as reasonably practicable following the closing of such Equity Financing. If the Investor does not exercise the Participation Right, the Company may during the 30 days following the end of the Notice Period proceed to implement the Equity Financing materially on the same terms (or on better terms to the Company) as were made available to the Investor and if the Equity Financing is not so implemented within the said 30 days, the Company must again meet its obligations under this Clause 8.
- 8.2 In the event that the Group seeks to secure any bank debt or other debt or borrowings (whether secured or unsecured) that does not involve Equity Securities, the Company shall notify the Investor of the same and the Investor shall have a right of first refusal at its discretion to provide (or direct that any other member(s) of the Investor's Group provide(s)) some or part of the funding sought by the Group on substantially the same terms as those offered to the Group by a third party or otherwise as agreed between the Company and the Investor.
- 8.3 Clause 8.1 shall not apply to any Issuance (a) pursuant to the Company's existing stock option plan and other incentive plans as may be approved by Shareholders or the Directors from time to time; or (b) upon the exercise or conversion of any convertible or exchangeable securities outstanding on the date hereof; (c) in connection with or pursuant to any merger, business combination, exchange offer, take-over bid, arrangement, asset purchase transaction or other acquisition of assets or shares of a third party; (d) pursuant to a rights offering made to all or substantially all the Shareholders (including the Investor); or (e) Common Shares issued pursuant to an ATM Offering, subject to compliance with Clause 8.4.

- 8.4 If Clause 8.1 would apply but for the fact that the Issuance is pursuant to an ATM Offering, then the Investor shall have a right (the "**Top-Up Right**"), with respect to any Common Shares issued in the ATM Offering (the "**Top-Up Securities**"), to in the case of an ATM Offering of Common Shares, to subscribe for up to such number of Common Shares that will allow the Investor to maintain

a percentage ownership interest in the outstanding Common Shares that is the same as the Investor's ownership percentage on the day immediately preceding the first Issuance of the Top-Up Securities in the prior fiscal quarter.

- 8.5 The Top-Up Right may be exercised on a quarterly basis as set out herein. Any dilution to the Common Shares legally or beneficially owned by the Investor resulting from the issuance of Top-Up Securities during a fiscal quarter of the Company will be disregarded for purposes of determining, prior to the time the Investor may exercise its Top-Up Right in respect of the issuances of Top-Up Securities during such fiscal quarter, whether the Investor has maintained the required ownership percentages pursuant to this Agreement. The Top-Up Right shall be effected through subscriptions for additional Common Shares by the Investor for a price per Common Shares equal to the volume weighted average price of the Top-Up Securities sold in the ATM Offering during the fiscal quarter (or such higher price as is the lowest price permitted under the policies of the TSX or other stock exchange) and shall be subject to acceptance by the TSX or other stock exchange requirements as may then be applicable. In the event that the approval of the TSX or other stock exchange shall be required in order to exercise a Top-Up Right, the Company shall use its reasonable best efforts to obtain such approval as promptly as practicable. Within 15 days following the end of each fiscal quarter of the Company, the Company shall send a written notice to the Investor (the "**Top-Up Right Offer Notice**") specifying: (i) the number of Top-Up Securities issued during such fiscal quarter; (ii) the total number of the then issued and outstanding Common Shares; (iii) percentage ownership interest in the outstanding Common Shares at the beginning and end of such fiscal quarter; and (iv) the number of Common Shares the Investor is entitled to subscribe for pursuant to the Top-Up Right for the applicable fiscal quarter. The Investor shall have a period of 10 Business Days from the date of the Top-Up Right Offer Notice (the "**Top-Up Right Notice Period**") to notify the Company in writing (the "**Top-Up Right Acceptance Notice**") of the exercise, in full or in part, of its Top-Up Right. The Top-Up Right Acceptance Notice shall specify the number of Common Shares subscribed for by the Investor pursuant to the Top-Up Right. If the Investor fails to deliver a Top-Up Right Acceptance Notice within the Top-Up Right Notice Period, then the Top-Up Right of the Investor in respect of the issuances of Top-Up Securities for the applicable fiscal quarter is extinguished. If the Investor gives a Top-Up Right Acceptance Notice, the issuance of the Top-Up Securities to the Investor shall be completed as soon as reasonably practicable thereafter.
- 8.6 In the event that any exercise of a Participation Rights shall be subject to the approval of the Company's shareholders under the policies of the TSX or other stock exchange, or under applicable law, the Company shall use its commercially reasonable efforts to call and convene a meeting of shareholders of the Company within 90 days. The Company shall solicit proxies from its shareholders for use at such meeting to obtain such approval.

9 WARRANTIES

- 9.1 The Company represents and warrants to the Investor that each of the Warranties is true and accurate as at:
- (a) the date of this Agreement;
 - (b) the First Completion (and, in respect of Warranties given as at First Completion, as if any express or implied reference in a Warranty to the date of this Agreement was replaced by a reference to the date of the First Completion); and
 - (c) the Second Completion (and, in respect of Warranties given as at the Second Completion, as if any express or implied reference in a Warranty to the date of this Agreement was replaced by a reference to the date of the Second Completion).
- 9.2 The Company acknowledges that it has given the Warranties with the intention of inducing the Investor to enter into this Agreement and that the Investor has been induced to enter into this Agreement on the basis of and in reliance upon the Warranties. The Warranties are given to the Investor for itself in connection with the purchase of the Subscription Shares and the Warrants.
- 9.3 The Investor confirms that it is not aware of any matter that constitutes a breach of this Agreement or which entitles it to make a Warranty Claim and accordingly confirms that it does not contemplate making a Warranty Claim.
- 9.4 Each of the Warranties is without prejudice to the other Warranties and, except where expressly stated otherwise, no Clause governs or limits the extent or application of the other Clauses.
- 9.5 The rights and remedies of the Investor in respect of any breach of the Warranties shall continue to subsist notwithstanding any Completion.

- 9.6 Each of the Warranties is given subject to any matter expressly provided for in this Agreement but is otherwise subject to no qualification save that any Warranties given on the date of the Second Completion shall be qualified to the extent fairly disclosed in the Public Disclosure Record following the date of First Completion.
- 9.7 Without prejudice to its other rights and remedies, the Investor may not claim rescission of this Agreement following First Completion.
- 9.8 Where any statement in the Warranties is qualified by the expression “to the best of the knowledge, information and belief of the Company” or “so far as the Company is aware” or any similar expression, the Company shall be deemed to have the actual knowledge of the Directors and Brett Whalen, Craig Scherba and Marc Johnson and shall be deemed to include an additional statement that it has been made after due and careful enquiry by Brett Whalen, Craig Scherba and Marc Johnson (only) into the subject matter of that Warranty with each such Persons.
- 9.9 The Investor represents and warrants to the Company that each of the Investor Warranties is true and accurate as at:
- (a) the date of this Agreement;
 - (b) the First Completion (and, in respect of Investor Warranties given as at First Completion, as if any express or implied reference in an Investor Warranty to the date of this Agreement was replaced by a reference to the date of the First Completion); and

- (c) the Second Completion (and, in respect of Investor Warranties given as at the Second Completion, as if any express or implied reference in an Investor Warranty to the date of this Agreement was replaced by a reference to the date of the Second Completion).
- 9.10 The Investor acknowledges that it has given the Investor Warranties with the intention of inducing the Company to enter into this Agreement and that the Company has been induced to enter into this Agreement on the basis of and in reliance upon the Investor Warranties. The Investor Warranties are given to the Company for itself.
- 9.11 Each of the Investor Warranties is without prejudice to the other Investor Warranties and, except where expressly stated otherwise, no Clause governs or limits the extent or application of the other Clauses.
- 9.12 The rights and remedies of the Company in respect of any breach of the Investor Warranties shall continue to subsist notwithstanding any Completion.

10 COMPANY UNDERTAKINGS

- 10.1 The Company undertakes to use reasonable endeavours to secure the support of the shareholders of the Company for the resolution referred to in Clause 3.2(b) (the “**Resolution**”) without limitation, to cast (through proxies solicited for this purposes) or procure that all the votes attaching to the Common Shares (or at any adjournment or postponement of it):
- (a) against any resolution or proposal to amend the Resolution (except as may be reasonably necessary in order to ensure that the Tranche Two Condition is met);
 - (b) against any other resolution, the approval of which could reasonably be expected to frustrate the purpose, postpone, prevent or delay, impede or interfere with the Resolution or the consummation of the Transaction;
 - (c) in favour of the Resolution; and
 - (d) in favour of any other resolution necessary for the consummation of the subscriptions for the Subscription Shares and Warrants pursuant to this Agreement.

10.2 The Company undertakes to the Investor that it shall, and the Company undertakes to the Investor to procure that each other Group Company shall:

- (a) keep proper accounting records prepared in accordance with International Financial Reporting Standards or, in the case of a Group Company not incorporated in Canada, in accordance with the generally accepted accounting principles of that jurisdiction, and shall make true and complete entries in such accounting records of all of its dealings and transactions in relation to its business;
- (b) apply the Subscription Price paid by the Investor for the Subscription Shares in accordance with Schedule 5 (Use of Proceeds), as amended or varied by the parties in writing from time to time;

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- (c) comply with all legislation, regulations, directives, codes of practice, statutory guidance, agreements or arrangements applicable to the business of the Group, including to make all required disclosures under applicable securities laws, and maintain all required consents, authorisations, licences and Permits and notify the Investor immediately if any Group Company loses any such consent, authorisation, licence or Permit or if any such consent or licence expires (and it not replaced or renewed on or prior to such expiry), if such loss or the expiry or such consent, authorisation, licence or Permit; and
- (d) not engage in any activity, practice or conduct that would constitute an offence under the Corruption of Foreign Public Officials Act (Canada) or equivalent legislation in other jurisdictions.

11 CONSENT MATTERS

11.1 The Company undertakes to the Investor that, until the earlier of Second Completion or, if Second Completion does not occur, the date on which the Investor has been paid the Minimum Payment Period Amount (as defined in the Royalty Agreement), other than where required in order to comply with the provisions of the Royalty Agreement (unless the Royalty Agreement has been terminated in accordance with its terms), it shall not and shall procure that no other member of the Group shall dispose of or otherwise Encumbrance any interest that it has (or agree or incur an obligation to do the same) in respect of:

- (a) the Molo Graphite Project;
- (b) a Project Company involved in the Molo Graphite Project;
- (c) the Material Mineral Property; or
- (d) the Graphite Permits or any of them,

in each case without first having obtained the prior written agreement of the Investor expressly for the purposes of this Clause 11.1.

11.2 The Company undertakes to the Investor that, until the earlier of Second Completion and 28 May 2021 (or earlier termination by the Company in accordance with Clause 5.2) it shall not and shall procure that no other member of the Group shall issue any equity securities, or securities exercisable, convertible or exchangeable into equity securities (including, without limitation, warrants, options and convertible loan notes), whether pursuant to a public offering (excluding, for greater certainty, the filing of a base shelf prospectus but including any prospectus supplement filed pursuant to such base shelf prospectus), a private placement or otherwise in each case without first having obtained the prior written agreement of the Investor expressly for the purposes of this Clause 11.2 unless such issue is upon the exercise or conversion of any convertible or exchangeable securities outstanding at the date hereof or is to the Investor pursuant to this Agreement.

11.3 In giving any agreement, approval, consent or waiver or refusing any agreement, opinion, approval, consent or waiver for the purposes of this Clause 11, the Investor may act entirely at its discretion and shall have no liability or responsibility whatsoever to the Company.

11.4 The Company agrees that from the date of this Agreement until the earlier of Second Completion, 28 May 2021 or earlier termination by the Company in accordance with Clause 5.2 (the “Exclusivity Period”) neither it, nor its officers, directors, employees, agents or representatives will, directly or indirectly, make, initiate, solicit or encourage discussions, proposals, inquiries or offers from any other person relating to any strategic investment, acquisition, sale of the business, or sale of any substantial portion of the assets or securities of the Company or any Group Company or for any royalty finance (an “Alternative Transaction”) or participate in discussions or negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any person to do or seek to do any of the foregoing, and to the extent it is currently doing so, shall cease and terminate any ongoing negotiations or discussions regarding any other transaction that would constitute an Alternative Transaction.

12 BOARD OF DIRECTORS

12.1 The members of the Board immediately following the First Completion shall be as follows:

- (a) Sir Mick Davis – Chairman;
- (b) Craig Scherba – President and Chief Executive Officer;
- (c) Brett Whalen – Non-executive Director;
- (d) Robin Borley – Director;
- (e) Christopher Kruba – Director; and
- (f) Dr. David McNeely – Director.

12.2 Sir Mick Davis’ appointment as Director and Chairman of the Board shall continue, and Sir Mick David shall be entitled to be nominated as a Director and appointed as Chairman of the Board until Sir Mick Davis resigns from such directorship and/or is not re-elected by the Shareholders at a meeting of the Shareholders called to elect directors or is removed by the Shareholders under applicable law or must resign under any majority voting policy or rule applicable to the Company, provided that if Sir Mick Davis voluntarily resigns as, or is no longer legally able to hold the role of, either Chairman or Director of the Company (other than by virtue of his death or incapacity), or as a director of the Investor, the right of Sir Mick Davies to be appointed as Director or nominated as Chairman of the Board shall cease. The parties hereby designate the Investor as third-party beneficiaries of this Clause 12 having the right to enforce this Clause 12.2.

12.3 In addition to the appointment of Sir Mick Davis as a Director, the Investor will have the right at all times to nominate, for so long as the Investor owns no less than 10% of the issued Common Shares of the Company, one other Person as a non-executive Director of the Company or, where Sir Mick Davis is not then entitled to be nominated as a Director under Clause 12.2, two other Persons (each an “Investor Director”).

12.4 Any Person who is appointed or elected as an Investor Director under Clause 12.3 shall continue as a Director until such time as such Person resigns from such directorship and/or is not re-elected by the Shareholders at a meeting of the Shareholders called to elect directors or is removed by the Shareholders under applicable law or must resign under any majority voting policy or rule applicable to the Company, in which case the Investor shall be entitled to nominate another Person as a non-executive Director by way of replacement of such Person.

12.5 Any Investor Director who is nominated must:

- (a) have experience in one or more of mining, financial markets or corporate finance (unless otherwise agreed by the Company);

- (b) meet the qualification requirements to serve as a director under the Canada Business Corporations Act (or any equivalent statute of a jurisdiction to which the Company has been continued or under which it is otherwise governed), Canadian securities laws and the TSX Listing Rules or the rules of any other stock exchange on which the Common Shares are then listed; and
- (c) provide all such information as may reasonably be required by the Company to (i) obtain all required approvals of the TSX, (ii) obtain all required approvals of any applicable regulatory body and (iii) provide all required disclosure regarding such Investor Director as may be required by securities laws.

12.6 The Investor may exercise its rights to nominate an Investor Director by giving written notice to the Company nominating such Persons from time to time to be appointed by the Company as the Investor Director, and the Company shall procure that such Person is appointed without delay (and in any event within 10 Business Days of receipt of such notice or such later time when such appointment is approved by the TSX or any other regulatory body for which such approval is required under Market Rules or applicable law) pursuant to the power of the Board to appoint additional directors between shareholder meetings or to fill a vacancy on the Board and shall not unreasonably withhold or delay its approval of and appointment of such Person as non-executive Director. If a proposed Investor Director is rejected by the Company, the TSX or any other regulatory body for which such approval is required under Market Rules or applicable law, the Investor shall be entitled to nominate another Person or Persons for appointment as an Investor Director until one such nominee is appointed as Investor Director and the foregoing provisions of this Clause 12.6 shall apply to each such further nomination.

12.7 The Company shall notify the Investor in writing promptly upon determining the date of any meeting of the Shareholders at which Directors are to be elected and, if the Investor desires to nominate an Investor Director pursuant to Clause 12.3, the Investor shall advise the Company of the name of the Investor Director that the Investor is entitled to nominate pursuant to Clause 12.3 within ten Business Days after receiving such notice. If the Investor does not advise the Company of the name of the Investor Director to be nominated within such ten Business Day period, then the Investor will be deemed to have designated the incumbent Investor Director for nomination for election at the relevant meeting of the Shareholders (unless the Investor otherwise notifies the Company within such ten Business Day period).

12.8 The Company shall, in accordance with the By-laws and subject to applicable law and the Directors' fiduciary duties, recommend to the Shareholders that they vote to elect Sir Mick Davis and the Investor Director elected or appointed pursuant to Clause 12.3 and Clause 12.6 or such other individual as may have been designated under Clause 12.7 at the next succeeding meeting of the Shareholders at which Directors are to be elected. If the re-appointment of an Investor Director is not approved by the Shareholders at the relevant meeting of the Shareholders at which Directors are to be elected, that individual shall no longer be eligible to be appointed as an Investor Director and, for the avoidance of doubt, the Investor shall be entitled to appoint a replacement Investor Director in accordance with Clause 12.3 and Clause 12.6.

12.9 If at any time when (a) the Investor is entitled to appoint an Investor Director but at that time Sir Mick Davis is not Chairman of the Board but the rights under Clause

12.2 are in force, (b) the Investor is entitled to appoint two Investor Directors, and such Investor Director is not, or both such Investor Directors are not, so appointed or elected, the Investor shall be entitled, in lieu of appointment of any Director whom it is entitled to appoint or nominate, to appoint an observer to the Board by notice in writing to the Company. Such observer shall enter into a confidentiality agreement in form and substance reasonably acceptable to the Company and shall not be entitled to vote on any resolution of the Board, but shall be entitled to receive the same notices and information (and at the same time) as are provided to the non-executive Directors of the Company.

12.10 The parties agree that the Investor Director shall be entitled to receive fees for the performance of his or her duties as a Director as agreed between that Investor Director and the Company but being no less than any other non-executive Director and as provided for in the By-laws.

12.11 The Company shall reimburse the Investor Director and any observer appointed pursuant to this Clause 12 for the reasonable costs and out of pocket expenses (plus VAT) incurred by him in carrying out his duties on behalf of the Group and attending meetings of Group Companies.

12.12 The disclosure by Sir Mick Davis (for so, long as he is Chairman and or a Director), any Investor Director and any observer appointed pursuant to Clause 12.9 of information concerning the Company and the Group to the Investor and the Investor's professional advisers shall be permitted, subject to applicable law, and, where applicable, the observer agreement noted above and the Investor entering into a confidentiality agreement in form and substance reasonably acceptable to the Company, acting in good faith.

13 COSTS

Each party will bear its own costs and expenses in connection with the preparation and negotiation of this Agreement and each of the documents referred to in it.

14 PAYMENTS

14.1 Any payment to be made by the Company in respect of a Warranty Claim shall be made free and clear of all deductions, withholdings, counterclaims or set-off of any kind except for those required by law. If any sum payable by the Company under this Agreement is subject to any deductions or withholdings required by law, the Company shall pay such party such sum as will, after the deduction or withholding has been made, leave such party with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding.

14.2 If any payment required to be made under this Agreement is not made by the due date for payment, then that payment shall carry interest from the due date until the date when the payment is actually made at the rate of three per cent per annum above the base rate from time to time of Barclays Bank PLC compounded annually.

15 FURTHER ASSURANCE

After a Completion each party shall execute such additional documents and take such other steps, in each case as the other party may reasonably require, to fulfil the provisions of this Agreement.

16 ASSIGNMENT

16.1 Subject to Clause 16.2, a party may not assign or transfer or purport to assign or transfer a right or obligation under this Agreement without having first obtained the other party's written consent.

16.2 The Company hereby acknowledges and agrees that the Investor may, at any time, on a disposal of its Shares or Warrants to a member of the Investor's Group, assign its rights and obligations under this Agreement to that member of the Investor's Group forthwith upon written notice from the Investor to the Company.

17 DURATION

17.1 Without prejudice to the accrued rights of any party and except in respect of the Surviving Provisions, this Agreement shall cease and determine on the date on which the Investor and/or any of its assignees pursuant to Clause 16.2 cease to hold Shares or Warrants or cease to be the beneficial owner of Shares or Warrants provided that this Clause 17 (*Duration*) shall not apply to pre-existing breaches of this Agreement, liability in respect of which shall remain.

18 NO PARTNERSHIP

Nothing in this Agreement gives rise to a partnership or joint venture between the parties or constitutes one party the agent of another.

19 CONFLICT WITH ARTICLES AND BY-LAWS

If there is a conflict between the terms of this Agreement and those of the Articles, the By-laws or the by-laws or articles of association of any of the Group Companies, the terms of this Agreement shall prevail but not so as to amend the Articles, By-laws or articles of association (as applicable).

20 CONFIDENTIALITY

20.1 Each of the parties agrees to keep secret and confidential and not to use, disclose or divulge to any third party or enable or cause any Person to become aware of (except for the purposes of the Group's business) any Confidential Information, except that this shall not apply to:

- (a) any information which is in the public domain (otherwise than through the wrongful disclosure of any party);
- (b) any Confidential Information which they are required to disclose by law or by the rules of any regulatory body; or
- (c) any Confidential Information that is permitted to be disclosed and is disclosed in accordance with Clause 12.12 or that is disclosed pursuant to another confidentiality agreement with the Company, in which case such agreement shall govern the use and disclosure of such information.

20.2 Each party shall ensure that any Person to which it discloses information is made aware of the obligations of confidentiality contained in Clause 20.1.

21 ANNOUNCEMENTS

Except for the Announcement in the agreed form and as required by law or by any securities exchange or regulatory or governmental authority to which a party is subject (wherever situated), no announcement or statement in relation to this Agreement shall be made save with the prior written consent of the Investor, not to be unreasonably withheld.

22 ENTIRE AGREEMENT

This Agreement and the documents referred to in it together constitute the whole agreement between the parties and, subject as expressly provided to the contrary in this Agreement, supersede all previous negotiations, agreements and understandings, written and oral, between the parties relating to the subject matter of this Agreement.

23 VARIATION

This Agreement may only be amended by agreement in writing between the parties.

24 WAIVER

No failure or delay by a party to exercise any right or remedy provided under this Agreement or by law shall constitute a waiver of that or any other right or remedy, nor shall it preclude or restrict the further exercise of that or any other right or remedy. No single or partial exercise of such right or remedy shall preclude or restrict the further exercise of that or any other right or remedy.

25 CUMULATIVE RIGHTS

The rights and remedies provided in this Agreement are cumulative and not exclusive of any other rights or remedies.

26 INVALIDITY

26.1 If a provision of this Agreement is held to be invalid, illegal or unenforceable, in whole or in part, under an enactment or rule of law, it shall to that extent be deemed not to form part of this Agreement and the enforceability of the remainder of this Agreement shall not be affected.

26.2 If a provision of this Agreement is held to be invalid, illegal or unenforceable, such provision shall apply with the minimum modification necessary to make it valid, legal and enforceable.

27 COMMUNICATIONS

27.1 Save in relation to Clause 5.1, all communications between the parties with respect to this Agreement shall be in writing and shall:

- (a) be delivered by hand, or sent by first-class prepaid post (or airmail) to the address of the relevant party as set out in this Agreement or to another address in the UK or Canada which the addressee notifies for the purpose of this Clause 27 (*Communications*); or

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- (b) be sent by electronic mail to the email address stated below or as notified for the purpose of this Clause 27 (*Communications*).

27.2 In the absence of evidence of earlier receipt, communications shall be deemed to have been received as follows:

- (a) (if sent by post within the UK or Canada) two Business Days after posting;
- (b) (if sent by post outside the UK or outside Canada) five Business Days after posting;
- (c) (if delivered by hand) on the day of delivery, if delivered at least two hours before the close of business hours on a Business Day, and otherwise on the next Business Day; and
- (d) (if sent by electronic mail) upon the generation of a receipt notice by the recipient's server, or if such notice is not so generated, upon delivery to the recipient's server.

27.3 For the purposes of this Clause 27 (*Communications*), “**business hours**” means between the hours of 9.00 am and 6.00 pm inclusive, in the place which it is received.

27.4 In proving service it shall be sufficient to prove that personal delivery was made, or that the envelope containing the notice was properly addressed and stamped and placed in the post, or that the email was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's electronic mail system, as the case may be.

27.5 Communications addressed to the Investor which are delivered or sent in accordance with Clause 27.1, shall be marked for the attention of Sir Mick Davis with a copy (which shall not constitute notice) to be sent by email to Alexander Keepin at Bryan Cave Leighton Paisner LLP (Alexander.Keepin@bclplaw.com).

27.6 The email addresses referred to in Clause 27.1 are:

- (a) in the case of the Investor: [REDACTED - EMAIL ADDRESS - CONFIDENTIAL]; and
- (b) in the case of the Company: [REDACTED - EMAIL ADDRESS - CONFIDENTIAL].

28 TIME OF THE ESSENCE

Time shall be of the essence of this Agreement both as to any time, date or period mentioned in this Agreement and to any time, date or period substituted by agreement of the parties.

29 LIABILITY

The liability of each of the parties under this Agreement shall be several and not joint and several.

30 COUNTERPARTS

30.1 This Agreement may be executed in a number of counterparts and by the parties on different counterparts, but shall not be effective until each party has executed at least one counterpart.

30.2 Each counterpart, when executed, shall be an original, but all the counterparts together constitute the same document.

31 GOVERNING LAW AND JURISDICTION

31.1 This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Province of Ontario and the laws of Canada applicable therein.

31.2 Any and all disputes arising under this Agreement, whether as to interpretation, performance or otherwise, shall be subject to the non-exclusive jurisdiction of the courts of the Province of Ontario and each of the parties hereto hereby irrevocably attorns to the jurisdiction of the courts of such Province.

Schedule 1

The Group Part 1 The Company

Name:	NextSource Materials INC.
Registered number:	1055709-9
Date and place of continuance:	27 December 2017, Canada
Registered office:	130 King Street West, Exchange Tower Suite 1940, Toronto, Ontario, Canada, M5X2A2
Directors and secretary:	Brett Whalen – (director) Craig Scherba – (director) Robin Borley – (director) Christopher Kruba – (director) Dr. David McNeely – (director) Marc Johnson – (secretary)
Issued share capital: (Class, £ and no.)	598,795,313 common shares of no par value
Accounting reference date:	30 June
Options, warrants and other convertible rights:	options, warrants and RSUs for an aggregate of 72,602,702 Common Shares and comprising the following: Options: 22,100,000 Warrants: 45,328,278

RSUs: 5,174,424

Mortgages, charges and other security: Nil

Part 2
The Subsidiaries

Name: 2391938 Ontario Inc.

Registered number: 2391938

Date and place of incorporation: 15 October 2013, Ontario, Canada

Registered office: 130 King Street West, Exchange Tower Suite
1940, Toronto, Ontario, Canada, M5X2A2

Directors and secretary: Craig Scherba

Issued share capital: 10 common shares

(Class, £ and no.)

Registered Shareholder(s) NextSource Materials INC.

Accounting reference date: 30 June

Options, warrants and other convertible rights: Nil

Mortgages, charges and other security: Nil

Name: NextSource Materials (Mauritius) Ltd.

Registered number: C076323

Date and place of incorporation: 6 December 2007, Mauritius

Registered office: 33 Edith Cavell Street, Port-Louis, 11324, Mauritius

Directors and secretary: Craig Scherba, Marc Johnson, Naushad Ally Sohoboo

Issued share capital: 2

(Class, £ and no.)

Registered Shareholder(s) NextSource Materials INC.

Accounting reference date: 30 June

Options, warrants and other convertible rights: Nil

Mortgages, charges and other security: Nil

Name: NextSource Graphite (Mauritius) Ltd.
Registered number: C106367
Date and place of incorporation: 15 November 2011, Mauritius
Registered office: 33 Edith Cavell Street, Port-Louis, 11324, Mauritius
Directors and secretary: Craig Scherba, Marc Johnson, Naushad Ally Sohoboo
Issued share capital: 4
(Class, £ and no.)
Accounting reference date: 30 June
Registered Shareholder(s) NextSource Materials (Mauritius) Ltd.
Options, warrants and other convertible rights: Nil
Mortgages, charges and other security: Nil

Name: NextSource Minerals (Mauritius) Ltd.
Registered number: C079631
Date and place of incorporation: 16 April 2008, Mauritius
Registered office: 33 Edith Cavell Street, Port-Louis, 11324, Mauritius
Directors and secretary: Craig Scherba, Marc Johnson, Naushad Ally Sohoboo
Issued share capital: 100
(Class, £ and no.)
Registered Shareholder(s) NextSource Materials (Mauritius) Ltd.
Accounting reference date: 30 June
Options, warrants and other convertible rights: Nil
Mortgages, charges and other security: Nil

Name: ERG Madagascar Ltd. SARLU
Registered number: RCS Antananarivo 2012 B 00242
Date and place of incorporation: 27 March 2012, Madagascar

Registered office: Box 24, Immeuble Mining Business Center, Mamory Ivato, Antananarivo, Madagascar 105

Directors and secretary: Craig Scherba, Marc Johnson, Lydia Rafidinarivo Boarlaza

Issued share capital: 100
(Class, £ and no.)

Registered Shareholder(s) NextSource Graphite (Mauritius) Ltd.

Accounting reference date: 30 June

Options, warrants and other convertible rights: Nil

Mortgages, charges and other security: Nil

Name: NextSource Materials (Madagascar) SARLU

Registered number: RCS Antananarivo 2007 B 01150

Date and place of incorporation: 17 December 2007, Madagascar

Registered office: Box 24, Immeuble Mining Business Center, Mamory Ivato, Antananarivo, Madagascar 105

Directors and secretary: Craig Scherba, Marc Johnson, Lydia Rafidinarivo Boarlaza

Issued share capital: 100
(Class, £ and no.)

Registered Shareholder(s) NextSource Materials (Mauritius) Ltd.

Accounting reference date: 30 June

Options, warrants and other convertible rights: Nil

Mortgages, charges and other security: Nil

Name: NextSource Minerals (Madagascar) SARLU

Registered number: RCS Antananarivo 2008 B 00806

Date and place of incorporation: 31 July 2008, Madagascar

Registered office: Box 24, Immeuble Mining Business Center, Mamory Ivato, Antananarivo, Madagascar 105

Directors and secretary: Craig Scherba, Marc Johnson, Lydia Rafidinarivo Boarlaza

Issued share capital: 100
(Class, £ and no.)

Registered Shareholder(s)	NextSource Minerals (Mauritius) Ltd.
Accounting reference date:	30 June
Options, warrants and other convertible rights:	Nil
Mortgages, charges and other security:	Nil

Schedule 2 Exchange deliverables

Part A – Investor exchange deliverables

On the date of this Agreement, the Investor shall deliver to the Company the Royalty Agreement, duly executed by the Investor.

Part B – Company exchange deliverables

On the date of this Agreement, the Company shall deliver to the Investor:

- (a) the Royalty Agreement, duly executed by each of ERG (Madagascar) LTD. SARLU (as graphite holder), NextSource Minerals (Madagascar) SARLU (as vanadium grantor) and each of NextSource Materials Inc, NextSource Graphite (Mauritius) Limited, NextSource Minerals (Mauritius) Limited, NextSource Materials (Mauritius) Ltd (as guarantors) to the Investor;
- (b) the Irrevocable Undertakings, duly executed by the Core People; and
- (c) the Lock-Up Agreements, duly executed by the Core People.

Schedule 3

The Warranties

1 Capacity

- (a) The Company is a corporation validly incorporated and existing under the laws of Canada. Each Group Company has been duly incorporated and validly exists as a body corporate under the laws of its jurisdiction of incorporation.
- (b) The Company and each Group Company has the right, power and capacity to own, lease and operate the properties and assets which it owns, leases and operates and to carry on its activities in the ordinary and usual course of its business as presently conducted.
- (c) The Company has the requisite power and authority, and all necessary corporate action has been taken by it, to execute and deliver this Agreement and, provided the Tranche Two Condition is satisfied, to perform its obligations under this Agreement (including the issue of the Subscription Shares and Warrants and the entry into the Royalty Agreement) and to consummate the transactions contemplated hereby without any further sanction or consent by Shareholders of the Company or any class of them, and all other authorisations, approvals, consents and licences required for the entering into of this Agreement and the performance of all obligations hereunder, and no limitation on any Group Company's powers will be exceeded as a result of its entering into this Agreement and the documents referred to in it.

- (d) This Agreement constitutes valid, legal and binding obligations of the Company, enforceable against the Company in accordance with its terms.
- (e) The entry by the Company into and, provided the Tranche Two Condition is satisfied, the performance of this Agreement and each document referred to in it, and the performance by it of its obligations in connection with the issue of the Subscription Shares, the Warrants and the Royalty Agreement:
 - (i) are within the powers of the Company and its directors without the need for any sanction or consent by the Shareholders of the Company or any class of them or any other Person;
 - (ii) comply and will comply with its constitutional documents and all applicable laws and regulations applicable to the Company; and
 - (iii) will not infringe, conflict with or result in a breach or violation or constitute a default under, whether after notice or lapse of time or both, (i) any borrowing limits, or any power, restrictions, or term of any contract, debenture, security, obligation, commitment or arrangement of any Group Company or any of its properties, revenues or assets, (ii) any statute, rule or regulation applicable to the Company or any Group Company, including the Market Rules, (iii) the constating documents or resolutions of the directors (including any committees there) or shareholders of the Company or any Group Company, (iv) any Permit (v) any judgement, decree or order binding the Company or any Group Company or their properties or assets.

- (f) Provided the Tranche Two Condition is satisfied, the issue and listing on the TSX and OTCQB of the Subscription Shares and, upon exercise of any Warrants, the Common Shares underlying such Warrants will comply with all agreements to which any Group Company is a party or by which any such member is bound and will comply with the Market Rules and all other relevant laws and regulations applicable to any Group Company.
- (g) The Company will use commercially reasonable efforts to obtain the conditional approval of the TSX of the issuance of the Subscription Shares and the Warrants and the listing of the Subscription Shares and the Common Shares underlying the Warrants prior to the First Completion.

2 Share capital and Group information

- (a) As at the date of this Agreement, the authorised capital of the Company consists of an unlimited number of Common Shares of no par value of which 598,795,313 Common Shares are validly issued as fully paid and non-assessable.
- (b) The Company's direct or indirect percentage ownership of the outstanding shares of each Group Company is accurately disclosed in the Public Disclosure Record and all such shares are legally and beneficially owned, directly or indirectly, by the Company, free and clear of all Encumbrances, and all of such shares have been duly authorised and validly issued and are outstanding as fully paid and non-assessable and no Person has any right, agreement or option for the purchase from the Company of any interest in any of such shares or for the issue or allotment of any unissued shares in the capital of any Group Company or any other security convertible into or exchangeable for any such shares.
- (c) There are no Encumbrances over or in relation to the Subscription Shares.
- (d) The Common Shares (including, from the applicable Completion, the applicable Subscription Shares) are freely transferable in accordance with the Articles, the By-laws and the Market Rules, subject to restrictions under Canadian securities laws applicable to control persons.
- (e) The Subscription Shares (and the Common Shares underlying the Warrants) will, as from the date of their issue, be fully paid and non-assessable and be freely transferable with the rights and subject to the Articles and subject to restrictions under Canadian securities laws applicable to control persons.
- (f) The Subscription Shares, upon issuance, will not be issued in violation of or subject to any pre-emptive, participation or other contractual rights to purchase securities issued by the Company.

- (g) The Company has the power and authority to issue the Tranche One Subscription Shares and, provided the Tranche Two Condition is satisfied, will have the power and authority to issue the Tranche Two Subscription Shares and the Common Shares underlying the Warrants and to perform its obligations under this Agreement and all arrangements relating to the transactions contemplated by this Agreement without any further authorisation, sanction or consent by the Shareholders of the Company or any class of them or any other Person and, subject as aforesaid, including that the Tranche Two Condition is satisfied, there is no authorisation, approval, consent or licence required by the Company or the Investor for the issue of the Subscription Shares and the Common Shares underlying the Warrants and the entry into and performance of this Agreement, which has not been unconditionally and irrevocably obtained and remains and will at all times remain in full force and effect.

- (h) None of the owners or holders of any of the share capital of any Group Company has any rights, in his or its capacity as such, in relation to the Group other than as set out in the laws applicable to the Group Company and its securityholders, the Articles, the By-laws, or the articles of association or other constitutional documents of such Group Company (as applicable) and the Public Disclosure Record.
- (i) Other than pursuant to this Agreement, no holder of outstanding securities of the Company will be entitled to any pre-emptive or any similar rights to subscribe for any Common Shares or other securities of the Company and no rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any shares in the capital of any Group Company are outstanding, other than the securities reserved for issuance pursuant to outstanding options and warrants detailed in Schedule 1 (*The Group*) as at the date of this Agreement.
- (j) The information provided in Schedule 1 (*The Group*) is true and accurate in all respects as of the date of this Agreement. The Subsidiaries are the only subsidiaries of the Company and/or any other member of the Group and no Group Company has agreed to acquire an interest in or merge or consolidate with, a corporate body or any other Person.

3 Public documents and Canadian Securities Laws

- (a) No order ceasing or suspending trading in securities of the Company nor prohibiting the sale of such securities is outstanding against the Company or any of its directors, officers or promoters and no investigations or proceedings for such purposes are, to the Company's knowledge, pending or threatened and the Company has not taken any action which would reasonably be expected to result in the delisting or suspension of the Common Shares on or from trading on the TSX and/or OTCQB.
- (b) The currently issued and outstanding Common Shares are listed on the TSX and OTCQB and the Company is in compliance in all material respects with the TSX Listing Rules, the by-laws, rules and regulations of the OTCQB and securities laws of applicable to the TSX and the OTCQB and, to the knowledge of the Company, no securities or regulatory investigation is underway or has been threatened, nor is there any current engagement with the TSX or OTCQB as to any potential delisting or delisting review, whether threatened or under way.
- (c) There is not presently any material change relating to the Company or change in any material fact, which has not been or will not be fully disclosed in accordance with the requirements of the rules of TSX and/or OTCQB and no such disclosure has been made on a confidential basis.
- (d) All statements of fact contained in the Public Disclosure Record were, when made, and save to the extent corrected or superseded (including though the passage of time) in a subsequent such announcement remain, true and accurate and not misleading and all statements of opinion, intention and expectation contained in them were made on reasonable grounds after due and proper consideration and having regard to all information then available to the Company.
- (e) The Company has complied and will continue to comply with its obligations under the Market Rules and with its continuous disclosure obligations under the securities laws of the Province of Ontario. Without limiting the generality of the foregoing, there is no material fact or material change, and there has not occurred any Material Adverse Change, which has not been publicly disclosed and the information and statements in the Public Disclosure Record were true and correct, in all material respects, as of the respective dates of such information and statements and at the time such documents were filed, did not contain any misrepresentations, and the Company has not filed any confidential material change reports which remain confidential as at the date hereof. The Company is not aware of any circumstances presently existing under which liability is or would reasonably be expected to be incurred under Part XXIII.1 – Civil Liability for Secondary Market Disclosure of the Securities Act (Ontario).

- (f) Other than in respect of the terms of this Agreement, the Company is not aware (having made all reasonable enquiries) of any non-public fact or circumstance: (i) that, if made public, would be expected to have a material effect upon the market price of the Common Shares or upon the Company and/or the Group, or (ii) which would require it to make a public announcement under the Market Rules or any other applicable law and regulations.
- (g) The issue of the Tranche One Subscription Shares and, subject to the Tranche Two Condition being satisfied, the issue of the Tranche Two Subscription Shares, the Warrants and the Common Shares underlying the Warrants pursuant to this Agreement complies in each case with the TSX Listing Rules and has been conditionally approved by the TSX.
- (h) The Company is a “reporting issuer”, not included in a list of defaulting reporting issuers maintained by the securities regulators in Canada.

4 **Financial Information**

- (a) The Accounts have been prepared in accordance with all applicable laws and on a proper and consistent basis in accordance with International Financial Reporting Standards and have been audited in accordance with applicable standards of standard accountancy practices and all applicable financial standards and give a true and fair view of the financial position of the Group and profits and cash flow of the Group for the period ended on the Accounts Date.
- (b) The Interim Accounts have been prepared on a basis consistent with the Accounts in accordance with International Financial Reporting Standards (except so far as inappropriate in respect of the preparation of interim financial results) and fairly present the financial position of the Group and profits and cash flow of the Group for the period in respect of which they were prepared.

5 **Financial position**

- (a) Since the Accounts Date, except for this Agreement and the Royalty Agreement, and save as fairly disclosed in the Public Disclosure Record before the date of this Agreement:
 - (i) the business of the Group has been carried on in the ordinary and usual course and in the same manner as before that date;
 - (ii) there has been no material adverse change, nor any development likely to give rise to a material adverse change, in the financial position or prospects of the Group;
 - (iii) no Group Company has acquired or disposed of or agreed to acquire or dispose of any business or any material asset or assumed or acquired any liabilities (including contingent liabilities) other than in the ordinary and usual course of business;

- (iv) no Group Company has entered into any contracts or commitments of a long-term or unusual nature;
 - (v) no material contract (including contracts entered into in the ordinary course of business) to which any Group Company is a party has been terminated or, which falling due for renewal, has not been renewed, and no Group Company has received notice or otherwise has reason to believe that any such contract will be terminated or not renewed when due for renewal; and
 - (vi) no Group Company has incurred any material liability for Taxation of whatsoever nature otherwise than in the ordinary course of business.
- (b) No Group Company has any off-balance sheet financing, investment or liability.
 - (c) No group Company has any material outstanding borrowings other than as fairly disclosed in the Public Disclosure Record.

- (d) No Group Company has given any guarantee, indemnity or other security to support the obligations of any third party.
- (e) Except for this Agreement and the transactions contemplated herein, no Group Company has any off-balance sheet financing, transaction, arrangement, investment, obligation (including contingent obligations) or liability which are required to be disclosed and are not disclosed or reflected in the Accounts or the Interim Accounts.
- (f) Neither the creation and issue of the Subscription Shares nor the performance of this Agreement by the Company will infringe any borrowing limits, or any power, restrictions, or term of any contract, debenture, security, obligation, commitment or arrangement of any Group Company or any of its properties, revenues or assets.

6 The Business

- (a) The Group carries insurance cover at the levels and for the risks normally insured against by Persons of similar size in the Canadian public markets carrying on the same or similar business as that carried on by the Group and, so far as the Company is aware, there are no circumstances which could render any of such insurances void or voidable and there is no material insurance claim made or outstanding by or against any Group Company or, so far as the Company is aware, pending or threatened, and all due premiums in respect thereof have been paid.

7 Contracts and arrangements

- (a) The Company is not aware of the invalidity of or grounds for rescission, avoidance or repudiation of any agreement or other transaction to which any Group Company is a party and which is material to the business and/or financial position of the Group, and no Group Company has received notice of any intention to terminate any such agreement or repudiate or disclaim any such transaction.
- (b) No event has occurred, is subsisting or, so far as the Company is aware, is about to occur which constitutes or would constitute a default, or result in the acceleration by reason of default, of any obligation under any agreement, undertaking, instrument or arrangement to which any Group Company is a party or by which any Group Company or any of its properties, revenues or assets are bound which would, or might reasonably in any such case, have a material adverse effect on the business, assets, or financial position or prospects of the Group.
- (c) Except under applicable law, no Group Company is in any way liable (including on a contingent basis) in respect of the obligations or activities of any other company or Person whatsoever.

8 Licences

- (a) All licences, Permits, registrations, consents, other permissions and approvals and arrangements required for carrying on the businesses now carried on by the Group (“**Licences**”) have been obtained or are in place and are valid, subsisting, in good standing and in full force and effect and the terms and conditions of such Licences have been complied with by the Group in all material respects and, so far as the Company is aware, there are no circumstances which indicate that any such Licence may be revoked or incapable of renewal, in whole or in part.
- (b) A Group Company is the sole legal and beneficial owner of, and has good and marketable title to, the Permits and no other property rights (including surface or access rights) are necessary for the conduct of the business of the Group as currently conducted. Neither the Company nor any Group Company knows of any claim or basis for any claim that would reasonably be expected to adversely affect the right of the Group to use, transfer, access or otherwise exploit such property rights included in the Permits; and, except as disclosed in the Public Disclosure Record, neither the Company nor any Group Company has any responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any Person with respect to the property rights thereof. Except pursuant to the Royalty Agreement, no Group Company has entered into or purported to enter into any binding agreement or arrangement to sell, transfer, assign or create a Encumbrance over the Permit or any part thereof to any third party.

- (c) The Permits are valid, exclusive, subsisting and enforceable by the Group Companies party thereto and all terms and conditions applicable to such Permits have been complied with in all material respects and all payments due from any Group Company under or in respect of any of the Permits have been paid.
- (d) So far as the Company is aware no event has occurred and is subsisting or, is about to occur (including without limitation in respect of this Agreement and the Subscription Shares, Warrants and the Royalty Agreement) which constitutes or would constitute a material default under, or result in the acceleration by reason of default of, any obligations under any of the Licences and/or the Permits or which constitutes or would constitute a termination event under any of the Licences and/or the Permits.
- (e) The Company is not aware of any pending or threatened action, suit, claim or proceeding against the Company or any Group Company before any court, governmental or administrative agency or body or arbitrator or any likely cause of any such action, suit, claim or proceeding which, if successful, would limit, revoke, cancel, suspend or cause not to be renewed any of the Licences and/or the Permits.
- (f) There are no outstanding obligations under the Permits and/or any Licences which, if not satisfied, may have or may cause negative consequences for the status of the Permits and/or any Licences or for any of the Group Companies, and no Group Company has received any notice of the modification, revocation or cancellation of, or any intention to modify, revoke or cancel, or any proceeding or investigation relating to the modification, revocation or cancellation of, or alleging non-compliance with, any Licence and/or the Permits.

9 Mineral Property

- (a) Save as disclosed in the Public Disclosure Record, a Group Company has good title to the material assets of the Group that are disclosed in the Public Disclosure Record, free and clear of all material Encumbrances.
- (b) The Material Mineral Property and the related applicable Property Rights are accurately described in the Public Disclosure Record.
- (c) All assessments or other work required to be performed in relation to the Property Rights in order to maintain each Group Company's respective interests therein, if any, have been performed to date and each Group Company has complied in all material respects with all applicable governmental laws, regulations and policies in this regard as well as with regard to legal, contractual obligations to third parties in this regard and all Property Rights are in good standing in all material respects.
- (d) There are no legal claims or actions with respect to indigenous rights currently outstanding, or to the knowledge of the Company, threatened or pending, with respect to the properties of the Group. To the knowledge of the Company, there are no material land entitlement claims having been asserted or any legal actions relating to indigenous issues having been instituted with respect to the properties of the Group, and no material dispute in respect of the properties of the Group with any local community or indigenous group exists, has been threatened or is imminent.

10 Taxation

- (a) Each Group Company has duly within any applicable time limit made all returns and computations, given all notices and supplied all other material information required by law to be supplied to any Taxation Authority and all such information was when given and remains true and accurate in all material respects and was made on a proper basis and there are no outstanding Taxation matters which are or, so far as the Company is aware, are likely to become the subject of dispute with any Taxation Authority and which would or might be material to the Group.
- (b) No Group Company has received any written assessment or other notification from any Taxation Authority to the effect that such company has incurred any liability in respect of any Taxation in respect of the period since the Accounts Date, other than any such liabilities arising in the ordinary course of business of the relevant Group Company since that date and, so far as the Company is aware, no such liability (other than as aforesaid) has been incurred by any Group Company.
- (c) Each Group Company has duly paid all Taxation for which a liability and the due date for payment of such liability has arisen.

11 Litigation

- (a) No Group Company, nor any other Person for whose acts or defaults any Group Company may be vicariously liable, is engaged in any litigation, arbitration, prosecution or other legal proceedings.
- (b) No litigation, arbitration, prosecution or other legal proceeding is pending or to the knowledge of the Company threatened against any Group Company.
- (c) There is no claim against any Group Company nor, to the knowledge of the Company, is there any fact likely to give rise to such a claim, which in any such case may have or has had in the 12 months preceding the date hereof a significant effect on the financial position or prospects of the Group.

- (d) No Group Company is aware of any violations or breaches of anti-corruption laws or regulations by any of its employees.
- (e) There is no outstanding judgment, order, decree or decision of any court or tribunal, or arbitral award of any arbitrator, against any Group Company or any Person for whose acts or defaults any Group Company may be vicariously liable.

12 **Insolvency and judgments**

- (a) No Group Company has taken any action, nor have any other steps been taken or legal proceedings started or threatened against any Group Company for its administration, winding-up, provisional winding-up or dissolution, or for any Group Company to enter into any arrangement or composition for the benefit of creditors, or for the appointment of a receiver, administrator, administrative receiver, provisional liquidator, trustee or similar officer of any Group Company or its respective interests, properties, revenues or assets. There is no unfulfilled or unsatisfied judgment or court order outstanding against any Group Company.
- (b) No Group Company is an insolvent person within the meaning of the Bankruptcy and Insolvency Act (Canada).

13 **Related parties**

- (a) Save as referred to in the Public Disclosure Record, since the Accounts Date no Group Company has paid or made any payment or transferred to its shareholders any dividend, bonus, loan or other distribution or entered into any transaction with a related party which would require disclosure in the next annual financial statements of the Company.

14 **Records and filings**

- (a) The register of members and other statutory books and registers of each Group Company have been properly kept and no notice or allegation that any of the same is incorrect or should be rectified has been received by any Group Company.
- (b) All returns and particulars, resolutions and other documents required to be filed with or delivered to any registry or authority in each Group Company's relevant jurisdiction of incorporation have been properly and correctly made up and duly filed or delivered by or on behalf of each Group Company.

15 **Compliance with laws and regulation**

- (a) Neither any Group Company nor any of its officers (acting in their capacity as such) has committed or is liable for any criminal, illegal, unlawful or unauthorised act or breach of any obligation or duty (whether imposed by or pursuant to statute, contract, memorandum and articles of association or otherwise) which is reasonably likely to lead to any material future liability or punishment of any Group Company, and no claim that any such officer or company has committed any such act or breach, or is liable, remains outstanding.
- (b) No Group Company has received notification that any investigation or inquiry is being or will be, conducted by any governmental regulatory authority in respect of the affairs of any Group Company and the Company is not aware of any circumstances which would give rise to any such investigation or inquiry.

- (c) Each Group Company has conducted and is conducting its business in compliance with the laws and regulations of those countries where it operates including those in respect of anti-corruption, anti-bribery and any economic, financial, political, legal and other sanctions.
- (d) The Company is not aware of any proposed legislation, regulation or policy, which it anticipates will materially and adversely affect the business, affairs, operations, assets, liabilities (contingent or otherwise) or prospects of the Group taken as a whole.
- (e) No Group Company is a party to any agreement, arrangement or concerted practice or is carrying on any practice which in whole or in part contravenes or is invalidated by any anti-trust, anti-monopoly, competition, fair trading, consumer protection or similar legislation in any jurisdiction where any member of the Group is established or in respect of which any filing, registration or notification is required or is advisable pursuant to such legislation (whether or not the same has in fact been made).
- (f) At all times since the Accounts Date, no Group Company nor any of their respective directors, officers, or employees nor, to the knowledge of the Company, any agent or other Person associated with or acting on behalf of any Group Company has:
- (I) used any funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity;
 - (ii) made or taken an act in furtherance of an offer, promise or authorisation of any direct or indirect unlawful payment or benefit to any foreign or domestic government or regulatory official or employee, including of any government-owned or controlled entity or of a public international organisation, or any Person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office;
 - (iii) violated or is in violation of any provision of the Corruption of Foreign Public Officials Act (Canada), as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Corruption of Foreign Public Officials Act (Canada), or any other applicable anti-bribery or anti-corruption laws; or
 - (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. Each Group Company has instituted, and maintain and enforce, policies and procedures designed to promote and ensure compliance with all applicable anti-bribery and anti-corruption laws.
- (g) The operations of each Group Company are and have been conducted at all times in compliance in all material respects with applicable financial record keeping and reporting requirements, including those of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended, the applicable anti- money laundering statutes of all jurisdictions where any Group Company conducts business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental or regulatory agency (collectively, the “**Anti-Money Laundering Laws**”) and no action, suit or proceeding by or before any court or governmental or regulatory agency, authority or body or any arbitrator involving any Group Company with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

- (h) No Group Company nor any of their respective directors or officers nor, to the knowledge of the Company or the Directors, any employees, agent or other Person associated with or acting on behalf of any Group Company is currently the subject or the target of any sanctions administered or enforced by the U.S. Government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked Person”), the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority (collectively, “**Sanctions**”), nor is any Group Company located, organised or resident in a country, region or territory that is the subject or the target of Sanctions, including, without limitation, Crimea, Cuba, Iran, North Korea, Sudan and Syria (each, a “**Sanctioned Country**”).

- (i) For the past five years, each Group Company has not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any Person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.
- (j) Neither the Company nor any member of the Group, nor any director, officer, or employee, nor, to the knowledge of the Company or its Directors, any agent or representative of the Company or of any member of the Group, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorisation or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any “government official” (including any officer or employee of a government or government-owned or controlled entity or of a public international organisation, or any Person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Company and its Subsidiaries and Affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

16 Scientific and Technical Information

- (a) The Company is in compliance with the provisions of NI 43-101 in all material respects and has filed all technical reports in respect of the Projects required thereby, which technical reports remain current as at the date hereof.
- (b) The Technical Report complies in all material respects with the requirements of NI 43-101.
- (c) The Company made available to the authors of all technical reports, prior to the issuance thereof, for the purpose of preparing such reports, all information requested by them and none of such information contained any misrepresentation at the time such information was provided.
- (d) The information set forth in the Public Disclosure Record relating to scientific and technical information, including the mineral resource estimates for the Projects have been prepared in material compliance with NI 43-101.
- (e) The method of estimating the mineral resources has been verified by mining experts who are “qualified persons” (within the meaning of NI 43-101), all material assumptions underlying the mineral resource estimates are reasonable and appropriate, the information upon which the estimates of mineral resources were based, was, at the time of delivery thereof, complete and accurate in all material respects and there have been no material changes to such information since the date of delivery or preparation thereof.

17 Environmental Laws

- (a) Each Group Company has complied with all applicable supra-national, national, federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgements, orders, decrees, permits, concessions, grants, licences, agreements or governmental restrictions relating to the protection of the environment (including, without limitation, human, animal and plant life, ambient air, surface water, ground water, or land), the protection of property and proprietary rights or for the compensation of harm to the environment whether by clean-up, remediation, containment or other treatment or the payment of monies to any competent authority (“**Environmental Laws**”).
- (b) Each is in possession of all relevant consents, or other authorisations relating to Environmental Laws (together the “**Consents**”) and has complied with all conditions of such Consents; and, so far as the Company is aware, there are no facts or circumstances entitling a regulatory agent to revoke, vary or not renew any of the Consents.
- (c) There are no material pending or, so far as the Company is aware, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against the Company or any other Group Company. So far as the Company is aware, there are no events, facts or circumstances that have formed, or might reasonably be expected to form, the basis of any order, decree, plan or agreement for clean-up or remediation, or any action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any Group Company relating to Environmental Laws.

Schedule 4**The Investor Warranties****1 Capacity**

- (a) The Investor is a corporation validly incorporated and existing under the laws of Guernsey.
- (b) The Investor has the requisite power and capacity, and all necessary corporate action has been taken by it, to execute and deliver this Agreement, to perform its obligations under this Agreement (including the purchase of the Subscription Shares and Warrants and the entry into the Royalty Agreement) and to consummate the transactions contemplated hereby without any further sanction or consent by members of the Investor or any class of them, and all other authorisations, approvals, consents and licences required for the entering into of this Agreement and the performance of all obligations hereunder, and no limitation on the Investor's powers will be exceeded as a result of its entering into this Agreement and the documents referred to in it.
- (c) This Agreement constitutes valid, legal and binding obligations of the Investor, enforceable against the Investor in accordance with its terms.
- (d) The entry by the Investor into and performance of this Agreement and each document referred to in it, and the performance by the Investor of its obligations in connection with the purchase of the Subscription Shares, the Warrants and the Royalty:
 - (i) are within the powers of the Investor and its directors without the need for any sanction or consent by members of the Investor or any class of them or any other Person;
 - (ii) comply and will comply with its constitutional documents and all applicable laws and regulations applicable to the Investor; and
 - (iii) will not infringe, conflict with or result in a breach or violation or constitute a default under, whether after notice or lapse of time or both, (i) any borrowing limits, or any power, restrictions, or term of any contract, debenture, security, obligation, commitment or arrangement of the Investor or any of its properties, revenues or assets, (ii) any statute, rule or regulation applicable to the Investor, (iii) the constating documents or resolutions of the directors (including any committees there) or shareholders of the Investor, or (iv) any judgement, decree or order binding the Investor or its properties or assets.

2 Securities Law Matters

- (a) The Investor is not resident in Canada and is not acquiring the Subscription Shares or the Warrants for the account or benefit of a Person in Canada.
- (b) The Investor is not a "U.S. Person" (as such term is defined in Regulation S under the U.S. Securities Act and is not acquiring the Subscription Shares and the Warrants for the account or benefit of a U.S. Person or a Person in the United States. The Subscription Shares and the Warrants have not been offered to the Investor in the United States, and the individuals making the order to purchase the Subscription Shares and the Warrants and executing and delivering this Agreement on behalf of the Investor were not in the United States when this Agreement was executed and delivered.

- (c) The Investor has not received or been provided with a prospectus, offering memorandum (within the meaning of Canadian securities laws) or any sales or advertising literature in connection with the Offering or any document purporting to describe the business and affairs of the Company or the Group which has been prepared for review by prospective purchasers to assist in making an investment decision in respect of the Subscription Shares and Warrants, and the Investor's decision to subscribe for the Subscription Shares

and Warrants was not based upon, and the Investor has not relied upon, any oral or written representations as to facts made by or on behalf of the Company, or any employee, agent or Affiliate thereof or any other Person associated therewith, except as set forth herein. The Investor's decision to subscribe for the Subscription Shares and Warrants was based solely upon this Agreement and any information about the Company which is publicly available (any such information having been obtained by the Investor without independent investigation or verification by the Company). In purchasing the Subscription Shares and Warrants, the Investor has relied solely upon this Agreement and publicly available information relating to the Company, not upon any verbal or written representation as to any fact or otherwise made by or on behalf of the Company or any of its directors, officers, employees, agents or representatives.

- (d) The Investor represents that:
- (i) it is subscribing for the Subscription Shares and the Warrants as principal for its own account and not for the benefit of any other Person;
 - (ii) it understands that the Subscription Shares and the Warrants are being offered on a "private placement" basis exempt from the prospectus requirement under Canadian securities laws; and
 - (iii) it acknowledges that the Subscription Shares and the Warrants have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold in the United States or to U.S. Persons unless registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.
- (e) The funds representing the Tranche One Aggregate Subscription Price and the Tranche Two Aggregate Subscription Price, and the payments under the Royalty Agreement, which will be advanced by the Investor to the Company hereunder will not represent proceeds of crime for the purposes of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) (the "PCMLTFA"), the United Kingdom's Proceeds of Crime Act 2002 (the "POCA") or the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "PATRIOT Act"), and the Investor acknowledges that the Company may in the future be required by law to disclose the Investor's name and other information relating to this Agreement and the Investor's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA, POCA or the PATRIOT Act. To the best of its knowledge (a) none of the subscription funds to be provided by the Investor (i) have been or will be derived from or related to any activity that is deemed criminal under the laws of Canada, the United Kingdom, the United States, or any other jurisdiction, or (ii) are being tendered on behalf of a Person or entity who has not been identified to the Investor, and (b) the Investor shall promptly notify the Company if the Investor discovers that any of such representations ceases to be true, and to provide the Company with appropriate information in connection therewith.

- (f) The Investor is not a Person or entity identified in the Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism, the United Nations Al-Qaida and Taliban Regulations, the Regulations Implementing the United Nations Resolution on the Democratic People's Republic of Korea, the Regulations Implementing the United Nations Resolution on Iran, the United Nations Cote d'Ivoire Regulations, the United Nations Democratic Republic of the Congo Regulations, the United Nations Liberia Regulations, the United Nations Sudan Regulations, the Special Economic Measures (Zimbabwe) Regulations or the Special Economic Measures (Burma) Regulations, the Special Economic Measures (Ukraine) Regulations, the Special Economic Measures (Russia) Regulations, or the Freezing Assets of Corrupt Foreign Officials Act (collectively, the "Trade Sanctions"). The Investor acknowledges that the Company may in the future be required by law to disclose the name and other information of the Investor related to the acquisition of the Subscription Shares and Warrants hereunder pursuant to the Trade Sanctions.
- (g) The Company is relying on an exemption from the requirement to provide the Investor with a prospectus under Canadian securities laws and, as a consequence of acquiring the Subscription Shares and Warrants pursuant to such exemption:
- (i) certain protections, rights and remedies provided by Canadian securities laws, including statutory rights of rescission, or damages and certain statutory remedies against an issuer, underwriters, auditors, directors and officers that are available to investors who acquire securities offered by a prospectus, will not be available to the Investor,
 - (ii) the common law may not provide investors with an adequate remedy in the event that they suffer investment losses in connection with securities acquired in a private placement,

- (iii) the Investor may not receive information that would otherwise be required to be given under Canadian securities laws, and
- (iv) the Company is relieved from certain obligations that would otherwise apply under Canadian securities laws.
- (h) The Investor is knowledgeable of, or has been independently advised as to, the applicable securities laws of the jurisdiction in which the Investor resides which would apply to this Agreement, if any, and the subscription for the Subscription Shares and the Warrants by the Investor is being made pursuant to exemptions under, and does not contravene any of the, applicable securities laws in the jurisdiction in which the Investor resides and does not give rise to any obligation of the Company to prepare and file a prospectus, registration statement or similar document or to register the Subscription Shares and the Warrants or to be registered with or to file any report or notice with any governmental or regulatory authority or to otherwise comply with any continuous disclosure obligations under the applicable securities laws of the jurisdiction in which the any resides.
- (i) The Investor is:
 - (i) a purchaser that is recognized by the securities regulatory authority in the jurisdiction in which it is incorporated or otherwise subject to the securities laws of such jurisdiction, as an exempt purchaser and is purchasing the Subscription Shares and the Warrants as principal for its own account, and not for the benefit of any other person, for investment only and not with a view to resale or distribution; or
 - (ii) a purchaser which is purchasing the Subscription Shares and the Warrants pursuant to an exemption from any prospectus or securities registration requirements available to the Company and the Investor purchaser under applicable securities laws in the jurisdiction in which it is incorporated or otherwise subject.
- (j) The purchase of the Subscription Shares and the Warrants by the Investor does not contravene any of the applicable securities laws in the jurisdiction in which it is incorporated or otherwise subject, and does not trigger: (i) any obligation to prepare and file a prospectus, an offering memorandum or similar document, or any other ongoing reporting requirements with respect to such purchase or otherwise; or (ii) any registration or other obligation on the part of the Company.
- (k) The Investor acknowledges its name and other specified information, including the number of securities subscribed for hereunder, may be disclosed to the TSX and may become available to the public in accordance with the requirements of applicable laws. It consents to the disclosure of all such information.

Schedule 5

Completion matters

Part 3

First Completion

The First Completion obligations to which Clause 4.1 refers are as follows:

1 The Investor shall:

- (a) pay to the Company an amount equal to the Tranche One Aggregate Subscription Price by such method of payment that is agreed by the Investor and the Company;
- (b) deliver a copy of the Investor Lock-Up Agreement, duly executed by the Investor;
- (c) deliver a copy of the Chairman Letter of Consent duly executed by Sir Mick Davis to the Company.

2 The Company shall:

- (a) procure that board meetings of the Company are held at which:

- (i) the Tranche One Subscription Shares subscribed for by the Investor are approved for issuance to the Investor as fully paid and non-assessable;
 - (ii) Sir Mick Davis is appointed as a Director and as Chairman and authorising the execution of the Chairman Letter of Consent; and
 - (iii) the Company is authorised to issue and deliver to the Investor a share certificate duly executed by the Company or direct registration system advice in respect of the Tranche One Subscription Shares issued to it pursuant to paragraph 2(a)(i);
- (b) enter the name of the Investor in the register of Shareholders of the Company as the registered holder of the relevant Tranche One Subscription Shares issued to it pursuant to paragraph 2(a)(i);
 - (c) update the Company's books and records (including its statutory registers) to account for the issue of the Tranche One Subscription Shares to the Investor;
 - (d) deliver a legal opinion to the Investor from the Company's legal counsel, in form and substance satisfactory to the Investor acting reasonably, with respect to the laws of Canada, confirming that the Company is validly incorporated under the laws of Canada and has the capacity to enter into and perform its obligations under this Agreement, that all necessary consents, approvals and clearances required under the laws of Canada for the Company's entry into and the performance of this Agreement have been obtained and that the Agreement is legal, valid and enforceable under the laws of Ontario;
 - (e) deliver a legal opinion to the Investor from the legal counsel of ERG (Madagascar) LTD. SARLU, in form and substance satisfactory to the Investor acting reasonably, with respect to the laws of Madagascar, confirming that (i) ERG (Madagascar) LTD. SARLU is validly incorporated under the laws of Madagascar, the Graphite Permits are valid and existing and in good standing and owned exclusively by a Group Company; (ii) no consents, approvals and clearances or filings are required to be made under the Permits or the laws of Madagascar and no fees or taxes are payable in connection with the issue of or subscription for the Subscription Shares and Warrants (and any common shares on the exercise of the Warrants) to or by the Investor pursuant to this Agreement; and (iii) ERG (Madagascar) LTD. SARLU has the capacity to enter into and perform its obligations under the Royalty Agreement, that all necessary consents, approvals and clearances required under the laws of Madagascar, for ERG (Madagascar) LTD. SARLU's entry into and performance of the Royalty Agreement have been obtained and that the Royalty Agreement is legal, valid and enforceable under the laws of Madagascar; and
 - (f) deliver a copy of the conditional approval letter from the TSX for the Subscription Shares and the Warrants and the listing of the Subscription Shares and the Common Shares underlying the Warrants.

Part 4

Second Completion

The Second Completion obligations to which Clause 4.3 refers are as follows:

- 1 The Investor shall pay to the Company an amount equal to the Tranche Two Aggregate Subscription Price by such method of payment that is agreed by the Investor and the Company.
- 2 The Company shall procure that board meetings of the Company are held at which:
 - (a) the Tranche Two Subscription Shares as subscribed for by the Investor are approved for issuance to the Investor fully paid and non-assessable;
 - (b) the Warrants subscribed for by the Investor are approved for issuance to the Investor;
 - (c) the name of the Investor is entered in the securityholder registers (including the register of Shareholders) of the Company as the registered holder of the relevant Tranche Two Subscription Shares and Warrants issued to it pursuant to paragraphs 2(a) and 2(b) above; and

- (d) the Company is authorised to issue and deliver to Investor a share certificate duly executed by the Company or direct registration system advice in respect of the Tranche Two Subscription Shares issued to it pursuant to paragraph 2(a).
- 3 The Company shall deliver the Warrant duly executed by the Company to the Investor.
- 4 The Company shall procure that the Company’s books and records (including its statutory registers) are updated to account for the issue of the Tranche Two Subscription Shares and the Warrants to the Investor.
- 5 Deliver a copy of the conditional approval letter from the TSX for the Subscription Shares and the Warrants and the listing of the Subscription Shares and the Common Shares underlying the Warrants.

Schedule 6

Use of Proceeds

- 1 US\$24.1 million will be used towards Phase One;
- 2 US\$1.5 million will be used towards Phase Two and the SG Processing Plant;
- 3 US\$2.4 million will be used towards general corporate purposes, working capital and further studies on the GG Vanadium Project; and
- 4 US\$1.5 million to fund the payment of the Financing Fee.

EXECUTION PAGE

Executed by **NextSource Materials INC.**,) a company
 incorporated in Canada, by its) duly authorized signing
 officers

(signed) “Brett Whalen” Chairman

)
 Officer (signed) “Craig Scherba”
 Chief Executive Officer

)
 Officer

Executed as a deed by **Vision Blue Resources Limited**, a
 company incorporated in Guernsey, acting by two directors
 who, in accordance with the laws of that territory, are acting
 under the authority of the company)
)

(signed) “Michael Lawrence Davis”
 Michael Lawrence Davis

)
 Director

)
 (signed) “Andrew Trahar”
 Andrew Trahar

**CERTIFICATION PURSUANT TO
RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Craig Scherba, certify that:

1. I have reviewed this annual report on Form 20-F for the fiscal year ended June 30, 2021 of NextSource Materials Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2021

By: s/ Craig Scherba

Craig Scherba
Chief Executive Officer

(principal executive officer)

**CERTIFICATION PURSUANT TO
RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marc Johnson, certify that:

1. I have reviewed this annual report on Form 20-F for the fiscal year ended June 30, 2021 of NextSource Materials Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2021

By: s/ Marc Johnson

Marc Johnson
Chief Financial Officer

(principal accounting officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F for the fiscal year ended June 30, 2021 of NextSource Materials Inc. (the "Company"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: October 28, 2021

By: /s/ Craig Scherba

Craig Scherba
Chief Executive Officer
(principal executive officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F for the fiscal year ended June 30, 2021 of NextSource Materials Inc. (the "Company"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: October 28, 2021

By: /s/ Marc Johnson

Marc Johnson
Chief Financial Officer
(principal accounting officer)



NextSource Materials Inc.

Annual Information Form (AIF)

For the year ended June 30, 2021

NEXTSOURCE MATERIALS INC.
ANNUAL INFORMATION FORM
 For the year ended June 30, 2021

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NEXTSOURCE MATERIALS INC.
ANNUAL INFORMATION FORM
 For the year ended June 30, 2021

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this document constitute forward-looking information within the meaning of applicable Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking

terminology such as “plans,” “expects,” or “does not expect,” “is expected,” “budget,” “scheduled,” “goal,” “estimates,” “forecasts,” “intends,” “anticipates,” or “does not anticipate,” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might,” or “will be taken,” “occur,” or “be achieved”.

Forward-looking information includes, but is not limited to, information with respect to certain expectations regarding obtaining necessary permits; construction timelines and costs; anticipated production volumes; anticipated operating costs and capital spending; supply, demand and pricing outlook in the graphite market; sources of funding for the Molo Graphite Mine and the Green Giant Vanadium Project; exploration drill results; metallurgical drill results; environmental assessment and rehabilitation costs and amounts of certain other commitments; 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 include, among others; uncertainty due to the Covid-19 Pandemic; development projects are uncertain, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production; the Company’s development and exploration projects are in the African country of Madagascar and are subject to country political and regulatory risks; economic dependence on the Molo Graphite Mine; additional permits and licenses are necessary to complete the development of the Molo Graphite Mine; fluctuations in the market price of graphite and other metals may adversely affect and 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 may not have access to sufficient capital to develop Phase 2 of the Molo Graphite Mine and value-added processing facilities; 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 assets will not go into commercial production and the business will fail; 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 mineral exploration, there is a risk that the Company may incur liability or damages as the Company conducts business; the Company has no insurance for environmental problems; should the Company lose the services of key executives, the Company’s financial condition and proposed expansion may be negatively impacted; because access to the Company’s properties may be restricted by inclement weather or proper infrastructure, its exploration programs are likely to experience delays; 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; because from time to time the Company holds a significant portion of cash reserves in Canadian dollars, 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 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 the Company’s ability to meet other factors listed from time to time in the Company’s continuous disclosure documents, including but not limited to, the Annual Information Form (AIF).

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 herein the material assumptions upon which such forward-looking statements are 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 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 important 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 herein 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.

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

This AIF 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 reliable, it 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 AIF are not guaranteed and the Company does not make any representation as to the accuracy or completeness of such information.

NEXTSOURCE MATERIALS INC.
ANNUAL INFORMATION FORM
For the year ended June 30, 2021

1. INTRODUCTION

This Annual Information Form (AIF) dated September 28, 2021 of NextSource Materials Inc. ("NextSource", "we", "our" or "the Company") should be read in conjunction with Company's audited consolidated financial statements for the years ended June 30, 2021 and 2020 that were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") (the "Annual Financial Statements").

The Annual Financial Statements and this AIF are presented United States dollars ("USD" or "\$"). Certain information in this AIF is presented in Canadian dollars ("CAD\$"). The term "NSR" stands for net smelter royalty. The term "tpa" stands for tonnes per annum. Additional information relating to the Company is available on the Canadian Securities Administrators' (the "CSA") SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's (the "SEC") website at www.sec.gov.

2. EXECUTIVE SUMMARY AND CORPORATE STRUCTURE

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

NextSource is principally engaged in the development of mineral resources and value-added processing of flake graphite and other minerals into materials used in the manufacturing of batteries and other applications. The Company accepts the risks which are inherent to mineral exploration and development programs and exposure to the cyclical nature of mineral and commodity prices. These risks are discussed in greater detail in the *Risk Factors* section of this AIF.

The Company does not currently operate any mines and has not completed the construction of any mines. No commercial revenue has been generated to date.

On February 15, 2019, the Company obtained a mining permit for its Molo Graphite Mine, located in Madagascar. On February 8, 2021, the Company announced a binding financing package totaling USD\$29.5 million for the construction of Phase 1 of the Molo Graphite Mine. On March 29, 2021, the Company initiated the construction process for the mine with the awarding of the engineering, procurement, and construction management contract.

Site works are expected to begin in late 2021 and commissioning of the plant is expected to begin in May 2022 followed by a ramp up to the Phase 1 processing plant capacity of 240,000 tpa of ore over a period of two to three months. At full Phase

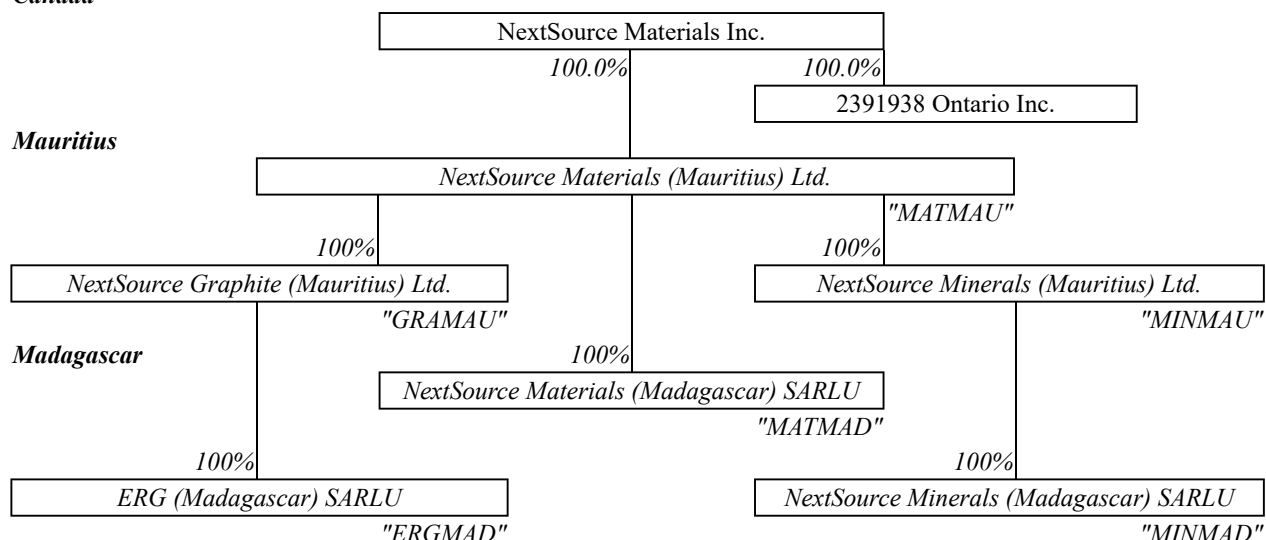
1 capacity, the Molo Graphite Mine is expected to produce approximately 17,000 tpa of high-quality SuperFlake® graphite concentrate.

The Company has initiated a technical study for a Molo Graphite Mine Phase 2 production capacity expansion to target 150,000 tonnes per annum (“tpa”) of SuperFlake®. The Company has also initiated technical study related to its Green Giant Vanadium Project and in collaboration with its partners, has initiated a technical study related to value-added processing facilities capable of producing coated, spheronized and purified graphite.

Corporate Structure

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

Canada



NEXTSOURCE MATERIALS INC. ANNUAL INFORMATION FORM For the year ended June 30, 2021

Employees and Contractors

The Company relies on the geological and industry expertise of its management team and engages contractors to complete certain aspects of its mine development, mineral exploration and evaluation programs, and development of value-added processing facilities.

As of June 30, 2021, in addition to the Board of Directors, President & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and SVP Corporate Development, the Company had 2 employees. Certain professional, administrative, mine development and mineral exploration and evaluation services are provided to the Company by independent contractors, including corporations and/or individuals who may be officers or directors of NextSource. No assurance can be given that qualified employees can be retained by NextSource when necessary.

Competitive Conditions

The mineral exploration and mining business are highly competitive. We compete with numerous other companies and individuals in the search for and the acquisition of financially attractive mineral properties. Our ability to acquire mineral

properties in the future will depend not only on our ability to develop our present properties, but also on our ability to select and acquire suitable producing properties or prospects for mineral development or mineral exploration.

In addition, we also compete with other companies over retaining skilled experienced workers and sourcing raw materials and supplies used in connection with eventual development and mining operations.

Foreign Operations

Our foreign operations in Madagascar and Mauritius are exposed to various levels of political, economic and social risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; military repression; expropriation; political corruption, extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; war or civil unrest; renegotiation or termination of existing concessions, licenses, permits and contracts; ability of governments to unilaterally alter agreements; surface land access issues; illegal mining; changes in taxation policies, laws and regulations; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any changes in regulations or shifts in political attitudes in such foreign countries are beyond our control and may adversely affect our business. Future development and operations may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to restrictions on production, export controls, import restrictions, such as restrictions applicable to, among other things, equipment, services and supplies, taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, surface land access, land claims of local people and mine safety.

3. GENERAL DEVELOPMENT OF THE BUSINESS

Strategy

The Company is focused on becoming a key producer of raw and value-added materials used in the manufacturing of batteries and other applications. To achieve this, the Company's strategy is to:

- Deliver on growth expectations by developing and operating mining projects and value-added materials processing facilities that will generate long-term free cash flows
- Build and maintain a high-quality project pipeline to ensure we advance and develop successful projects
- Adhere to the highest environmental, social and governance standards

Three-Year History

On August 17, 2018, the Company closed a non-brokered private placement offering of 2,105,927 units at a price of \$0.53 (CAD\$0.70) per unit for aggregate gross proceeds of \$1,120,385 (CAD\$1,474,149). Each unit consisted of one common share and one-half common share purchase warrant, with each warrant exercisable into one common share at an exercise price of \$0.76 (CAD\$1.00) for a period of two years.

On October 16, 2018, the Company announced the signing of an Offtake Agreement with the primary graphite supplier to a major Japanese electric vehicle anode producer. The Offtake Agreement is for a period of ten (10) years and activates on the commencement of commercial production at the Molo project, with an automatic renewal for an additional five (5) years. The Japanese Partner will have the exclusive right to import and sell SuperFlake® graphite concentrate in Japan. Provided that commercial production commences within 3 years, following the ramp up period, the Japanese Partner will purchase 20,000 tonnes of SuperFlake® graphite per annum. Product prices will be negotiated on a per order basis between the parties and will be based on the floating market prices (FOB basis) prevailing in the region.

On February 15, 2019, the Company announced the Madagascar Government granted a 40-year mining license for the Molo Graphite Mine and that the mining license does not limit mining to any specific volume.

On March 7, 2019, the Company closed a non-brokered private placement offering of 1,608,643 common shares at a price of \$0.80 (CAD\$1.10) per common share for aggregate gross proceeds of \$1,323,630 (CAD\$1,769,507).

On April 11, 2019, the Company announced it had received the Global Environmental Permit for the Molo Graphite Mine from the Madagascar Ministry of Environment's Office National pour l'Environnement (the National Office for the Environment; or "ONE"). This follows the completion of the Environmental & Social Impact Assessment ("ESIA") and Relocation Action Plan ("RAP") to International Finance Corporation (IFC) performance standards and World Bank standards, the completion of local and regional stakeholder and community engagement, and the completion of negotiations and signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed.

On September 27, 2019, the Company reported the results of a new Feasibility Study ("FS") for its 100%-owned Molo Graphite Project in southern Madagascar. The FS outlines a phased development approach with Phase 1 producing 17,000 tonnes per annum ("tpa") over the first two years of production and Phase 2 producing a total of 45,000 tpa by year 3. Over the modelled life of mine (30 years), the production plants will have a pre-tax internal rate of return ("IRR") of 43.1%, and a post-tax IRR of 36.2%. The pre-tax Net Present Value ("NPV") at 8% discount rate will be US\$237.1M, and the post-tax NPV will be US\$184.3M. The FS results are summarized in further detail in the Mineral Development Projects section.

On October 24, 2019, the Company announced the successful registration of Molo SuperFlake® as a trademark in Canada. The successful registration of this trademark means that NextSource has the exclusive right to brand all of its natural flake graphite sold in Canada as Molo SuperFlake® from its Molo Graphite Project in Madagascar.

On October 25, 2019, the Company closed a non-brokered private placement offering of 2,907,777 units at a price of \$0.34 (CAD\$0.45) per unit for aggregate gross proceeds of \$998,620 (CAD\$1,308,500). Each unit consisted of one common share and one-half common share purchase warrant, with each warrant exercisable into one common share at an exercise price of \$0.70 (CAD\$0.90) for a period of two years. There were no finder's fees in relation to the private placement.

On September 27, 2019, Quentin Yarie resigned as a director of the Company.

On December 2, 2019, Christopher Kruba and David McNeely became directors of the Company.

On January 23, 2020, John Sanderson and Dalton Larson resigned as directors of the Company and Dean Comand was appointed as Chair of the Board of Directors.

On April 9, 2020, the Company announced that it executed a Letter of Agreement ("LOI") with its Japanese offtake partner and a leading Chinese processor of graphite anode material to collaborate on the construction of a value-add, battery anode plant in a jurisdiction that is proximal to the Company's Molo Graphite Mine project in Madagascar.

On July 2, 2020, the Company completed a non-brokered private placement of 6,157,887 units at a price of \$0.24 (CAD\$0.325) per unit for gross proceeds of \$1,476,571 (CAD\$2,001,310). Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.48 (CAD\$0.65) per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$9,293 in share issuance costs.

On July 20, 2020, Brett Whalen became a director of the Company. On August 24, 2020, the Company announced the appointment of Brett Whalen as Chair of the Board of Directors.

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue Resources Limited ("Vision Blue") to provide a financing package (the "Financing Package") for total gross proceeds of USD\$29.5M. The proceeds of the Financing Package will be used to complete construction of Phase 1 of the Company's Molo Graphite Mine. The Financing Package consisted of an initial private placement of \$6.0 million that was completed on March 15, 2021, a second private placement for \$12.5 million that was completed on May 19, 2021, and a royalty financing that was completed on June 28, 2021, when the Company received an initial \$8.0 million, less a \$1.5 million royalty financing fee, and will receive another \$3.0 million once it has reached 80% of capital expenditures related to the construction of the Molo Graphite Mine. The Molo Graphite Mine will be subject to minimum royalty payments and a 3.0% royalty. The Green Giant Vanadium Project will be subject to a 1.0% royalty. In connection with the initial private placement, the Company granted Vision Blue the right to appoint two directors to the Board of the Company. The Chairman of Vision Blue, Sir Mick Davis, was appointed as Chair of the Board of Directors of the Company on March 15, 2021. The second Vision Blue appointee, Ian Pearce, was appointed to the Board of Directors of the Company on July 14, 2021. Vision Blue was granted a right of first refusal to finance the Phase 2 expansion of the Molo Graphite Mine, and if Vision Blue holds common shares

representing at least 10% of the issued and outstanding common shares, a right to participate in future equity financings on the same terms as such financing to maintain its ownership percentage in the Company. Vision Blue is subject to a 1-year lock-up from the closing of the Initial Private Placement with a periodic release schedule. In addition, each of the Directors and Officers of the Company have agreed to similar lock-up periods for the securities they hold.

NEXTSOURCE MATERIALS INC.
ANNUAL INFORMATION FORM
For the year ended June 30, 2021

On March 15, 2021, the Company completed the initial private placement with Vision Blue consisting of 12,000,000 common shares at a price of CAD\$0.65 per share for total gross proceeds of \$6,000,000 (CAD\$7,800,000). In connection with the non-brokered private placement, the Company incurred \$16,367 in share issuance costs. The Company also announced the appointment of Sir Mick Davis as Chair of the Board of Directors.

On March 29, 2021, the Company announced the initiation of the construction process for the Molo Graphite Mine in Madagascar with the awarding of the engineering, procurement, and construction management contract.

On April 12, 2021, the Company announced a binding partnership agreement to construct and operate its own turnkey spheronized and purified graphite ("SPG") production facility. SPG is a key component of lithium-ion batteries such as those used in electric vehicle ("EV") and hybrid vehicle applications. The partnership involves Japanese and Chinese companies that currently operate their own SPG facilities that provide SPG to leading Japanese lithium-ion battery makers that are within the supply chains of Tesla and other major EV automotive companies. Proposed locations for the facility include South Africa, Europe, or North America. The Company will determine the initial production capacity and will then initiate a technical study to determine capital and operating costs for the proposed locations. Construction of one or more of these SPG production facilities will be subject to obtaining a positive technical study and securing sufficient funding for construction and initial working capital. Commissioning of the first SPG production facility is being targeted for Q4 2022. The Chinese partner will design and develop the process flowsheets, source all necessary graphite processing equipment, and will provide all the necessary training and operational know-how necessary for the production SPG material. In return, the Chinese partner will receive a 3% licensing fee based on the total annual sales value of anode material sold. The Japanese partner will leverage its sales relationships and will act as NextSource's exclusive agent for sales, marketing and trading of anode battery materials sold to OEM anode suppliers and to OEMs directly. In return, the Japanese partner will receive a 5% sales commission based on the total annual sales value of anode battery material sold.

On May 11, 2021, the Company announced it initiated the procurement of processing plant equipment for the Molo Graphite Mine.

On May 19, 2021, the Company completed the second private placement with Vision Blue consisting of 23,214,286 units at a price of CAD\$0.65 per unit for total gross proceeds of \$12,500,000 (CAD\$15,089,286). Each unit consisted of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$1.00 per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$87,788 in share issuance costs.

On May 25, 2021, the Company announced that following a multi-year verification process, *thyssenkrupp* entered into a long-term partnership with NextSource and signed an offtake agreement to secure SuperFlake® graphite concentrate for their refractories/foundries, expandable graphite (graphite foil) and battery anode production businesses. The key highlights are:

- Commercial agreement for the sale of 35,000 tpa of SuperFlake® graphite concentrate from the Molo mine
- 10-year term with an automatic 5-year extension
- Products under the agreement pertain to refractory, battery anode production and expandable graphite (graphite foil) markets
- Geographical regions include, but are not limited to, Europe, the UK, North America, Mexico, China and South Korea
- Minimum 7,300 tpa during Phase 1 initial production
- Ramp up to 35,000 tpa in Phase 2

- Shipments in Phase 1 will be used to verify run-of-mill production to trigger the larger volume expansion

On June 23, 2021, the Company announced the initiation of a technical study for a Phase 2 production capacity to target 150,000 tpa of SuperFlake® for its Molo Graphite Mine in Madagascar. This is an increase from the 2019 Feasibility Study that considered a Phase 2 production capacity of 45,000 tpa. The new minimum targeted capacity was determined after recent discussions with our flake graphite offtake partners and with our partnership for the construction of a battery anode facility (“BAF”) to produce spheronized and purified graphite (“SPG”). The purpose of the technical study is to determine the project economics pertaining to this increase in targeted production for Phase 2.

On June 28, 2021, the Company received the royalty funding from Vision Blue consisting of \$8.0 million, less a US\$1.5 million royalty financing fee. The Company will receive a further \$3.0 million upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021. In return for the royalty funding, the Company will pay to Vision Blue the greater of: (i) US\$1.65 million per annum or (ii) 3% of the gross revenues from SuperFlake® concentrate sales (the “GSR”). Once Vision Blue has received a cumulative royalty payment of US\$16.5 million, the GSR will be calculated as 3% of the gross revenues from the Company’s SuperFlake® sales. NextSource will have the option at any time to reduce the GSR to 2.25% upon payment to Vision Blue of US\$20 million. The Company may delay the first-year minimum repayments, which will become subject to accrued interest of 15% per annum. Vision Blue will also receive a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide (“V₂O₅”) from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅.

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On July 14, 2021, the Company announced the appointment of Ian Pearce to the Board of Directors and the resignation of David McNeely as a Director of the Company.

On July 22, 2021, the Company announce that it has been accepted as a member of both the European Battery Alliance (“EBA”) and the European Raw Materials Alliance (“ERMA”).

On September 8, 2021, the Company announced it intends to assess emerging opportunities to accelerate expansion through the potential acquisition and development of additional metals and mineral assets that are expected to play a vital role in clean energy technologies.

Significant Acquisitions

The Company has not completed any significant acquisitions during the most recently completed financial year.

4. MINERAL DEVELOPMENT PROJECTS

The following section contains “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws. The Company continues to monitor the implications of the Covid-19 Pandemic. The manner and extent that the pandemic, and measures taken as a result of the pandemic by governments and others, will affect the Company in ways that cannot be predicted with certainty. See the *Cautionary Statement Regarding Forward-Looking Information and Uncertainty due to the Covid-19 Pandemic* in this MD&A for a discussion of assumptions and risks relating to such statements and information and a discussion of certain risks facing the Company relating to the pandemic.

Molo Graphite Mine, Southern Madagascar Region, Madagascar

Overview and Project Plan

The Molo Graphite Mine project is located near the town of Fotadrevo in the Province of Toliara, Madagascar.



On February 15, 2019, the Company announced the Madagascar Government granted a 40-year mining license for the Molo Graphite Mine and that the mining license does not limit mining to any specific volume.

On March 29, 2021, the Company announced the initiation of the construction process for the Molo Graphite Mine in Madagascar with the awarding of the engineering, procurement, and construction management contract.

On May 11, 2021, the Company announced it initiated the procurement of processing plant equipment for the Molo Graphite Mine.

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Total construction costs excluding working capital have been estimated at \$21.7 million and all construction activities are expected to be completed by June 30, 2022. As of June 30, 2021, the Company had already incurred \$3.6 million in capital costs and the remaining construction costs were estimated at approximately \$18.4 million, mine working capital requirements were estimated at approximately \$1.3 million, and general and administrative expenditures until the completion of construction were estimated at \$3.0 million. As part of the royalty financing agreement, the Company will receive a further \$3.0 million from Vision Blue upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021. As a result, the Company believes its capital resources will be sufficient to complete construction of the mine and to fund mine working capital and general and administrative expenditures.

The processing plant equipment is currently being assembled offshore and is expected to begin arriving in Madagascar in late 2021 and will then be transported overland and installed at the mine site in Q1 2022. Mine-site construction activities are expected to begin in late 2021. Open pit pre-production mining activities are expected to begin in Q1 2022. Commissioning of the plant is expected to begin in May 2022, followed by a ramp up over a period of two to three months to the Phase 1 nameplate capacity of 240,000 tpa of ore. At full Phase 1 capacity, the Molo Graphite Mine is expected to produce approximately 17,000 tpa of high-quality SuperFlake® graphite concentrate.

The application for all necessary permits to construct and operate the mine, including water use, facilities construction, mineral processing, transportation, export, and labour have been initiated and are expected to be obtained as they are required.

The following is a rendering of the completed Phase 1 processing plant:



Phase 2 Expansion

On June 23, 2021, the Company announced the initiation of a technical study for a Phase 2 production capacity to target 150,000 tpa of SuperFlake® for its Molo Graphite Mine in Madagascar. This is an increase from the 2019 Feasibility Study, which considered a Phase 2 production capacity of 45,000 tpa.

The expanded Phase 2 production capacity was determined after recent discussions with our flake graphite offtake partners and with our partnership for the construction of a value-added processing facility to produce spheronized graphite (“SPG”). The purpose of the technical study is to determine the project economics for the expanded Phase 2.

Construction of the Phase 2 expansion is expected to begin after completion of Phase 1 and is subject to the technical report supporting positive economics and obtaining sufficient funding to complete construction.

Global market for and supply of flake graphite

Benchmark Intelligence estimated that global flake graphite demand in 2020 was approximately 900,000 tonnes and is expected to increase significantly over the next ten years due to increasing demand for lithium-ion batteries used in electric vehicles. A rule of thumb is that approximately 1.1 tonnes of flake graphite (2,500 lbs) is required for each 1GWh of electric vehicle capacity. Benchmark Intelligence has further estimated that global battery manufacturing capacity in 2020 was approximately 755 GWh and is set to increase by 2030 to 3,400 GWh through the construction of up to 200 new gigafactories. As a result, global flake graphite demand in 2030 is estimated at approximately 4,000,000 tonnes, which exceeds the existing global supply.

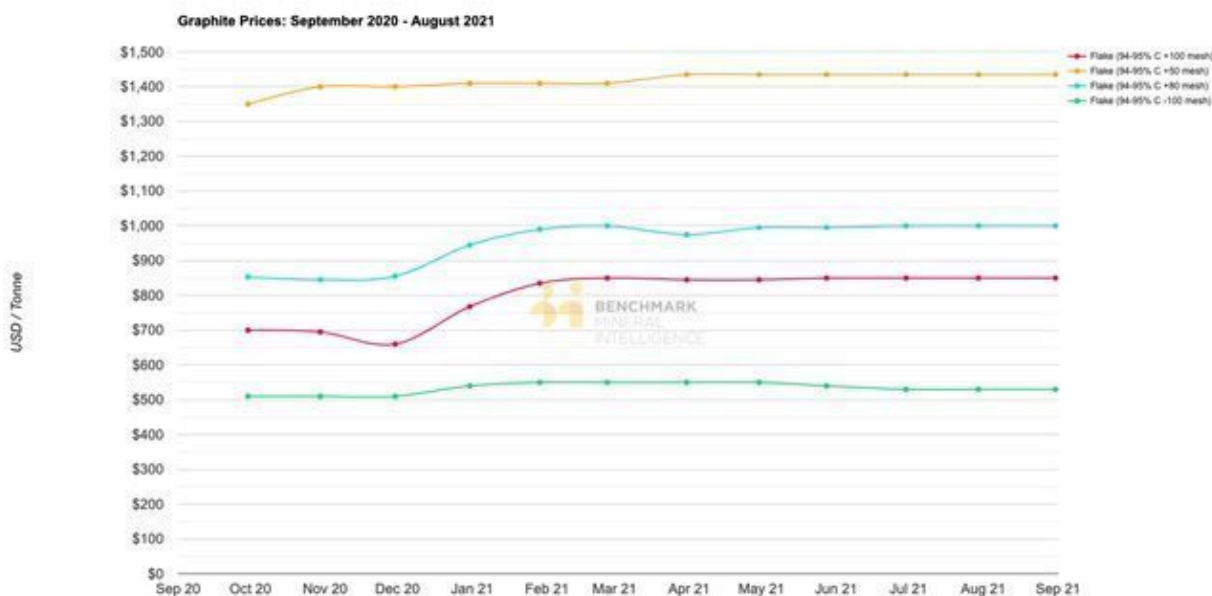
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Benchmark Intelligence estimated that the global flake graphite market was in relative balance in recent years but has moved from an oversupply of 226,000 tpa in 2018 to a deficit of approximately 60,000 tpa in 2021. Flake graphite demand is forecast to exceed global supply by approximately 430,000 tpa by 2026 and increasing to approximately 1,888,000 tpa by 2030. The supply response for natural flake graphite is expected to be constrained by technical challenges, capital costs, development timelines and operating economics. The supply response for synthetic flake graphite is expected to be constrained by the economics and availability of petroleum needle coke, which is its primary raw material feedstock for synthetic graphite and is also in demand for use in the steel making industry.

As an industrial mineral, flake graphite pricing is determined by three factors: 1) flake size, 2) carbon purity and 3) industry-specific technical attributes of the flakes. Flake sizing is broadly classified into four ranges: small (-100 mesh, or <75µm)

medium (-80 to 100 mesh, or 75µm to 180µm), large (-50 to 80 mesh, or 180µm to 300µm), and extra-large or jumbo (+50 mesh, or >300µm). These flake sizes are in turn classified by carbon content (“C”), and are typically sold in ranges of 88-93% C, 94-95% C, and 95-97% C. The specific technical attributes of the flakes are then defined by end-user parameters such as expansion coefficient, thermal and electrical conductivity, and charge-discharge stability and efficiency. Larger flake size is generally sold at a premium to smaller flake sizes, and higher purity products (e.g., above 94%) are sold at a premium to lower purity products. Pricing is further impacted by the regional location of supply.

Transactions in the flake graphite market are generally based on private negotiations between buyers and sellers, as a result there is no spot or forward market. Research companies such as Benchmark Mineral Intelligence (“Benchmark”) and Roskill Information Services (“Roskill”) estimate current and historical pricing based on their proprietary market research and publish forward estimates for select grades and product types. Benchmark has estimated the following average FOB China 94-95% C flake graphite market prices for different mesh sizes during the past 12 months. Benchmark has not estimated the flake graphite market prices for 96-98% C flake graphite, which is the yield expected to be produced by the Molo Graphite Mine and is typically sold at a premium to 94-95% C flake graphite.



Sales, Marketing and Offtakes of SuperFlake® Graphite

Independent testing by various third-party end users of flake graphite was announced by the Company in 2015 that confirmed that flake graphite concentrates from the Molo Graphite Mine meet or exceed quality requirements for all major end-markets of natural flake graphite. The major end-markets for flake graphite include refractories, graphite anode materials used in lithium-ion batteries, specialty graphite foils used as essential components in the chemical, aeronautical and fire-retardant industries, and graphene used in high-end ink and substrate applications.

The Feasibility Study confirmed that Molo flake graphite concentrate has an excellent flake size distribution that is well above the global average, with 46.4% classified as +80 mesh (large), +65 mesh (extra-large) and +48 mesh (jumbo) mesh in flake size, which includes 23.6% as +48 mesh and greater in flake size. The concentrate also has excellent thermal expansion, can be upgraded to 99.97% purity and contains no deleterious substances and has high crystallinity.

In response, NextSource has registered SuperFlake® as a trademark for the Molo flake graphite concentrate in the United States, Canada, Japan, South Korea, U.K. and the European Union. These are the top demand markets for flake graphite and the countries where NextSource intends to sell its SuperFlake® graphite material.

The Company expects to sell most of the flake graphite produced at the Molo Graphite Mine through offtakes with several key customers.

On October 16, 2018, the Company announced a binding offtake agreement for the supply of SuperFlake® graphite concentrate with a prominent Japanese Trading Company that is a primary supplier of flake graphite to a major Japanese electric vehicle anode producer. To protect certain confidential aspects of the agreement, the Japanese Trading Company and the Japanese electric vehicle anode producer requested not to be identified. The key highlights are:

- Offtake is for a period of ten (10) years, beginning at the start of commercial production at the Molo Graphite Mine, with an automatic renewal for an additional five (5) years.
- Exclusive right to import and sell SuperFlake® graphite concentrate in Japan.
- Provided that commercial production commences within 3 years, following the ramp up period, the Japanese Partner will purchase 20,000 tonnes of SuperFlake® graphite per annum.
- Product prices will be negotiated on a per order basis between the parties and will be based on the market prices (FOB basis) prevailing in the region.

On May 25, 2021, the Company announced that following a multi-year verification process, *thyssenkrupp* entered into a long-term partnership with NextSource and signed an offtake agreement to secure SuperFlake® graphite concentrate for their refractories/foundries, expandable graphite (graphite foil) and battery anode production businesses. The key highlights are:

- Commercial agreement for the sale of 35,000 tpa of SuperFlake® graphite concentrate from the Molo mine
- 10-year term with an automatic 5-year extension
- Products under the agreement pertain to refractory, battery anode production and expandable graphite (graphite foil) markets
- Geographical regions include, but are not limited to, Europe, the UK, North America, Mexico, China and South Korea
- Minimum 7,300 tpa during Phase 1 initial production
- Ramp up to 35,000 tpa in Phase 2
- Shipments in Phase 1 will be used to verify run-of-mill production to trigger the larger volume expansion

Royalty

On June 28, 2021, the Company received the royalty funding from Vision Blue consisting of \$8.0 million, less a US\$1.5 million royalty financing fee. The Company will receive a further \$3.0 million upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021. In return for the royalty funding, the Company will pay to Vision Blue the greater of: (i) US\$1.65 million per annum or (ii) 3% of the gross revenues from SuperFlake® concentrate sales (the “GSR”). Once Vision Blue has received a cumulative royalty payment of US\$16.5 million, the GSR will be calculated as 3% of the gross revenues from the Company’s SuperFlake® sales. NextSource will have the option at any time to reduce the GSR to 2.25% upon payment to Vision Blue of US\$20 million. The Company may delay each individual minimum repayments for a period of 12 months, which will be subject to accrued interest of 15% per annum. The deferred repayments are expected to begin on June 30, 2023.

Exploration and Evaluation

The Molo Graphite Project is one of seven surficial graphite trends discovered and drill tested by NextSource in late 2011 and announced to the market in early January 2012. The Molo deposit itself occurs in a flat, sparsely populated and dry savannah grassland region that has easy access via a network of seasonal secondary roads.

The Molo Graphite Project graphitic zone consists of multi-folded graphitic strata at surface with an exposed strike length of over two kilometres. Outcrop mapping and trenching on the Molo Graphite Project has shown the surface geology to be dominated by resistant ridges of graphitic schist and graphitic gneiss, as well as abundant graphitic schist float. Geological modeling has shown that the Molo Graphite Project deposit consists of various zones of mineralized graphitic gneiss, with a barren footwall composed of garnetiferous gneiss. The host rock of the mineralized zones on the Molo Graphite Project is graphitic gneiss.

Resource delineation, drilling and trenching on the Molo Graphite Project took place between May and November of 2012. This resulted in a maiden mineral resource estimate that formed the basis for the Company's Preliminary Economic Assessment (the "PEA"), which was undertaken by DRA Mineral Projects and released in 2013.

The positive outcome of the PEA led NextSource to undertake another phase of exploratory drilling and sampling in 2014 to upgrade the deposit and its contained mineral resources to mineral reserves. The process included an additional 32 diamond drill holes (totaling 2,063 metres) and 9 trenches (totaling 1,876 metres). The entire database upon which the upgraded resource estimate was based contained 80 drill holes (totaling 11,660 metres) and 35 trenches (totaling 8,492 metres). This mineral resource formed the basis of the first feasibility study, which was released in February 2015, and for the September 2019 Feasibility Study.

The resource remains open along strike and to depth. The Company does not have any immediate plans to complete any further drilling to expand the resource.

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Mineral Resource and Mineral Reserve Estimate

The current mineral resource and mineral reserve estimate for the Molo Graphite Project, including the material assumptions, qualifications and procedures relating thereto, is summarized below in the section entitled "*Feasibility Study Summary*".

History

On December 14, 2011, the Company entered into a Definitive Joint Venture Agreement ("JVA") with Malagasy Minerals Limited ("Malagasy"), a public company listed on the Australian Stock Exchange, to acquire a 75% interest in a property package for the exploration and development of industrial minerals, including graphite, vanadium and 25 other minerals. The land position consisted of 2,119 permits covering 827.7 square kilometers and is mostly adjacent towards the south and east with the Company's 100% owned Green Giant Vanadium Project. Pursuant to the JVA, the Company paid \$2,261,690 and issued 7,500,000 common shares that were valued at \$1,350,000.

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together "the Agreements") with Malagasy to acquire the remaining 25% interest, subject to Malagasy retaining a 1.5% net smelter royalty ("NSR"). Pursuant to the Agreements, the Company paid \$364,480 (CAD\$400,000), issued 250,000 common shares subject to a 12-month voluntary vesting period that were valued at \$325,000 and issued 350,000 common share purchase warrants, which were valued at \$320,950 using Black-Scholes, with an exercise price of \$0.14 and an expiry date of April 15, 2019. On May 20, 2015 and upon completion of a bankable feasibility study ("BFS") for the Molo Graphite Property, the Company paid \$546,000 (CAD\$700,000) and issued 100,000 common shares, which were valued at \$100,000. A further cash payment of approximately \$771,510 (CAD\$1,000,000) will be due within five days of the commencement of commercial production. The Company also acquired a 100% interest in the industrial mineral rights on approximately 1 ½ additional claim blocks covering 10,811 hectares adjoining the east side of the Molo Graphite Property. Prior to becoming a Director of the Company, Brett Whalen purchased an option to acquire the 1.5% NSR from Malagasy, upon the mine achieving commercial production, in return for a further payment to Malagasy.

The Molo Graphite Project is located within Exploration Permit #3432 ("PR 3432") as issued by the Bureau de Cadastre Minier de Madagascar ("BCMM") pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The Molo Graphite Project exploration permit PR 3432 is currently held under the name of our Madagascar subsidiary, which has paid all taxes and administrative fees to the Madagascar government and its mining ministry with respect to all the mining permits held in country. These taxes and administrative fee payments have been acknowledged and accepted by the Madagascar government.

On June 1, 2017, we released the results of an updated Molo Feasibility Study utilizing a fully modular approach which was based on the FEED Study and subsequent detailed engineering studies.

During fiscal 2017, the Company applied to the BCMM to have the exploration permit for the Molo Graphite Project converted into a mining permit.

Following an Environmental Legal Review and an Environmental and Social Screening Assessment, which provided crucial information to align the project's development and design with international best practice on sustainable project development, the Company completed a comprehensive Environmental and Social Impact Assessment ("ESIA"), which was developed to local Madagascar ("Malagasy"), Equator Principles, World Bank and International Finance Corporation ("IFC") standards. The ESIA was submitted to the Office National d'Environnement ("ONE") (the Madagascar Environment Ministry) during fiscal 2018.

On February 15, 2019, the Company announced the Madagascar Government granted a 40-year mining license for the Molo Graphite Mine and that the mining license does not limit mining to any specific volume.

On April 11, 2019, the Company announced it had received the Global Environmental Permit ("GEP") for the Molo Graphite Mine from the Madagascar Ministry of Environment's Office National pour l'Environnement (the National Office for the Environment; or "ONE"). The GEP was based on ESIA and a Relocation Action Plan ("RAP") that involved the completion of local and regional stakeholder and community engagement, and the completion of negotiations and signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed.

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On September 27, 2019, the Company reported the results of an updated Feasibility Study ("FS") consisting of two phases:

PHASE 1: Production of 17,000 tpa of graphite concentrate

The first phase of production will consist of a fully operational and sustainable graphite mine with a permanent processing plant capable of processing 240,000 tpa of ore producing approximately 17,000 tpa of graphite concentrate per year over a 30-year life of mine. The estimated capital costs for Phase 1 including contingencies were estimated at US\$21.0 million and construction was expected to take approximately 12 months to complete. Phase 1 costs including contingency and working capital were estimated at US\$24.1 million.

PHASE 2: Production expansion to 45,000 tpa of graphite concentrate in Year 3

Phase 2 assumes that Phase 1 is achieved and operates for two years followed by the completion of the Phase 2 expansion in the third year resulting in a combined 720,000 tpa of ore producing 45,000 tpa of graphite concentrate per year over a 30-year life of mine. The Phase 2 expansion is based on the construction of two additional Phase 1 processing plant modules over a construction period of 12 months. Phase 2 capital costs including all Phase 1 capital costs and contingency were estimated at US\$60.1 million. Phase 2 capital costs including all Phase 1 capital costs, contingency and working capital were estimated at US\$67.4 million. Additional sustaining capital for equipment replacement over the 30-year life of mine and closure costs was estimated at \$3.3 million.

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue to provide the Financing Package for total gross proceeds of USD\$29.5M. The proceeds of the Financing Package will be used to complete construction of Phase 1 of the Company's Molo Graphite Mine. The Financing Package consisted of an initial private placement of \$6.0 million that was completed on March 15, 2021, a second private placement for \$12.5 million that was completed on May 19, 2021, and a royalty financing agreement that was completed on June 28, 2021, when the Company received an initial \$8.0 million, less a \$1.5 million royalty financing fee, and will receive another \$3.0 million once it has reached 80% of capital expenditures related to the construction of the Molo Graphite Mine. The Molo Graphite Mine will be subject to minimum royalty payments and a 3.0% royalty. Vision Blue was granted a right of first refusal to finance the Phase 2 expansion of the Molo Graphite Mine.

On March 29, 2021, the Company announced the initiation of the construction process for the Molo Graphite Mine in Madagascar with the awarding of the engineering, procurement, and construction management contract.

On May 11, 2021, the Company announced it initiated the procurement of processing plant equipment, which will be assembled offshore then shipped to Madagascar in late 2021.

Feasibility Study Summary

The following information is extracted from the Molo Feasibility Study dated May 31, 2019 and prepared by J.K. de Bruin Pr.Eng of Erudite Strategies (Pty) Ltd., J. Hancox of Caracle Creek International Consulting (Pty) Ltd., D. Subramani of Caracle Creek International Consulting (Pty) Ltd., O. Peters of Metpro Management Inc., O. Mogoera of Erudite Strategies (Pty) Ltd., H. Smit of Erudite Projects (Pty) Ltd., E.V. Heerden of EVH Consulting (Pty) Ltd., and A. Marais of GCS Consulting (Pty) Ltd., each of whom is a “qualified person” and “independent”, as such terms are defined in NI 43-101.

The extract below is subject to all the assumptions, qualifications and procedures set out in the Molo Feasibility Study and is qualified in its entirety with reference to the full text of the Molo Feasibility Study. It is advised that this extract should be read in conjunction with the entire Molo Feasibility Study.

1 Summary

1.1 Introduction

The Company is a mineral exploration and development company based in Toronto, Canada. The Company is currently focused on the exploration and development of its 100% owned, flagship Molo Project.

The Molo deposit is situated 160 km southeast of the city of Toliara, in the Tulear region of south-western Madagascar. The deposit occurs in a sparsely populated, dry savannah grassland region, which has easy access via a network of seasonal secondary roads radiating outward from the village of Fotadrevo. Fotadrevo in turn has an all-weather airstrip and access to a road system that leads to the regional capital (and port city) of Toliara and the Port of Ehoala at Fort Dauphin via the RN10, or RN13.

Geologically, Molo is situated in the Bekily block (Tolagnaro-Ampanihy high grade metamorphic province) of southern Madagascar. The Molo deposit is underlain predominantly by moderately to highly metamorphosed and sheared graphitic (biotite, chlorite and garnet-rich) quartzo-feldspathic schists and gneisses, which are variably mineralized. Near surface rocks are oxidized, and saprolitic to a depth, usually of less than 5m.

Molo was one of several surficial graphite trends discovered by the Company (then Energizer) in late 2011 and announced in early January 2012. The deposit was originally drill tested in 2012, with an initial seven holes being completed. Resource delineation, drilling and trenching on Molo took place between May and November of 2012, and allowed for a maiden Indicated and Inferred Resource to be stated in early December of the same year. This maiden mineral resource estimate formed the basis for a PEA, which was undertaken by DRA Projects in 2013.

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The positive outcome of this PEA led the Company to undertake another phase of exploratory drilling and sampling in 2014, which was done under the supervision of CCIC. This phase of exploration was aimed at improving the geological confidence of the deposit and its contained mineral resources and included an additional 32 diamond drill holes (totaling 2,063 metres) and 9 trenches (totaling 1,876 metres).

CCIC were subsequently engaged to update the geological model and resource estimate. The entire database on which this new model and resource estimate is based contains 80 drill holes (totaling 11,660 metres) and 35 trenches (totaling 8,492 metres). This new resource formed the basis of the Molo 2015 FS which targeted 860ktpa of ore processing capacity.

This Report utilizes the knowledge base of both the Molo 2015 FS and Molo 2017 240ktpa FS technical reports.

Anticipating the future demand for industrial minerals such as those held by the Company (Graphite, Vanadium and Cobalt) is complex. The demand for these minerals is, to a large extent, driven by the development of the battery market which remains uncertain. Significant research has been completed by various analysts and the consensus view is that an explosive increase in demand can be expected. The uncertainty, however, is the timing of such increase in demand.

In order to ensure that the Company remains ahead of the competition and to appropriately plan for future market demand, the Company has opted for a flexible development approach which comprises a modular solution yielding optimal cashflow and return metrics with suitable flexibility to enable them to rapidly respond to market changes.

The Company has an off-take agreement in place with a Japanese Trader and is in the process of formalizing an additional sales agreement with a European Trader. As such, the Company requested feasibility-level analysis of a phased development approach: Phase 1 – 240,000 Tonnes per annum (240ktpa), and Phase 2 – after 240ktpa for the first 2 years of production, ramping up to 720ktpa in the third year to accommodate additional sales.

The Feasibility Study (hereinafter referred to as the “Molo 2019 720ktpa (Ph 2) FS”) as detailed in this Report considers in some detail the development of a greenfields graphite mine with modular beneficiation plant and supporting infrastructure. Engineering, costing and Project planning for Phase 1 of the proposed mine development has been completed to a level as required for this Report to comply to the requirements as defined by the TSX in terms of the NI 43-101. The numbers confirmed during the Molo 2017 240ktpa FS for Phase 1 of the Project are updated as part of this Report to incorporate the effects of escalation and market realities, as currently relevant.

Although detailed engineering has not been completed in order to define an optimal solution for a larger throughput mine facility, costing for Phase 2 (which adds an additional two modules of the beneficiation plant and increases the mining and infrastructure in proportion), is costed as part of this Report. Phase 2 costing is merely factored and therefore deemed accurate to FS level but will be optimized through certain economies of scale which are not considered in this Report. The increased capital expenditure is included in the financial model to provide comprehensive financial analysis of the Project. The increased throughput requires increased water sourcing which has been considered in the engineered solution for water supply. Some of the infrastructure has been increased to support the increased workforce.

The Company has every intent to develop Phase 2 in close succession to Phase 1 and has the mineral resources to support further increases of its mining and beneficiation capacity as the inevitable increase in demand is realized.

1.2 Project Location

The Molo deposit is located some 160 km southeast of Madagascar’s administrative capital (and port city) of Toliara, in the Tulear region and about 220 km NW of Fort Dauphin and is approximately 13 km NE of the local village of Fotadrevo.

1.3 Project Description

The proposed development of the Project includes the construction of a green fields open pit mine, a Phase 1 processing plant with a capacity of 240,000 tonnes of ore per annum and all supporting infrastructure including water, fuel, power, tailings (co-disposed), buildings and permanent accommodation. This Project will be augmented with expansion to Phase 2 processing plant with a capacity of 720,000 tonnes of ore per annum based on market conditions.

1.4 Summary of financial results

Table 1 below summarizes the financial results of Phase 1 (240ktpa for the first two years of production and Phase 2 (ramp-up to 720ktpa production in year three). These are based on a discounted flow analysis of the Project using real cash flows, which do not include the effect of inflation.

Table 1 : Summary of Financial Results

Description	Phase 1 and 2	
	Pre-Tax	Post-Tax
Post-tax: NPV (8% Discount Cash Flow)(1)(2)	\$237.1m	\$184.3m
Post-tax: IRR (1)(2)	43.1%	36.2%
Payback (2)	3.4 years	3.8 years
Capital cost ("CAPEX")	\$60,082,340	
Owners Contingency	\$6,670,430	
On-site Operating Costs ("OPEX") per tonne of concentrate, (year 3 onward)	Mining \$82.69	
On-site Operating Costs ("OPEX") per tonne of concentrate, (year 3 onward)	Processing \$270.27	
Transportation per tonne of concentrate (from mine site to Madagascar Port year 3 onward)	\$133.01	
Average annual production of concentrate	45,136 tonne	
Life of Mine ("LOM")	30 years	
Graphite concentrate sale price (US\$/tonne at Start Up - 2017)	\$1,208	
Average Head Grade	7.1%	
Average ore mined per annum over Life of Mine	720,000 tonne	
Average stripping ratio	0.53:1	
Average carbon recovery	88.30%	

Notes

- Note 1: Assumes Project is financed with 100% equity
- Note 2: Values shown are based on real graphite sales pricing Table 2 below summarizes key mine and process data.

Table 2: Mine & Process Data

	Phase 1	Phase 2
Proven reserves (t)	14,048,733	
Probable reserves (t)	8,207,458	
Grade (% graphitic carbon)	8.05%	7.10%
Waste to ore ratio	0.53:1	
Processing rate (tpa)	240,000	720,000
Mine life (years)	30	
Recovery (%)	88.30%	
Average annual product tonnes	17,000	45,000

1.5 Property Description and Ownership

1.5.1 Property Description

The Project includes 790 claims and an area totaling 308.6 km².

The Project is centered on UTM coordinates 495,289 Easting 7,345,473 Northing (UTM 38S, WGS 84 datum), and is located 11.5 km east-northeast of the town of Fotadrevo.

The property is within Exploitation/Mining Permit PE #39807 which covers an area of 175 km² or 17,500 hectares ("ha"), and Exploration Permits PR #39806 and PR #39810 which cover areas of 96.1 km² (9609 ha) and 37.5 km² (3750 ha), respectively.

1.5.2 **Ownership**

On December 14, 2011, the Company entered into a Definitive JVA with Malagasy Minerals Limited (hereinafter referred to as "Malagasy"), a public company on the Australian Stock Exchange, to acquire a 75% interest to explore and develop a group of industrial minerals, including graphite, vanadium and approximately 25 other minerals. On October 24, 2013, the Company signed a MOU with Malagasy to acquire the remaining 25% interest in the land position.

On April 16, 2014, Energizer signed a Sale and Purchase Agreement and a Mineral Rights Agreement with Malagasy to acquire the remaining 25% interest. Malagasy retains a 1.5% net smelter return royalty ("NSR").

CCIC reviewed a copy of the Contrat d'amodiation pertaining to this right and are satisfied that the rights to explore this permit have been ceded to the Company or one of its Madagascar subsidiaries.

The Project was located within Exploration Permit PR #3432 as issued by the Bureau de Cadastre Minier de Madagascar ("BCMM") pursuant to the Mining Code 1999 (as amended) and its implementing decrees. On January 18, 2019, Permit PR #3432 was transformed into two Exploration Permits (PR #39806 and PR #39810) and an Exploitation Permit (PE #39807) by the Ministry of Mines, with the official permit being granted to the Company by the BCMM on February 14, 2019.

Mineral Resources and Reserves delineated in Sections 14 and 15 of this Report are entirely within the bounds of Exploitation Permit PE #39807. The Company holds the exclusive right to exploit/mine and explore for graphite within this license area for a period of 40 years and can renew the license several times for a further period of 20 years upon each renewal.

The Company holds the exclusive right to explore for a defined group of industrial minerals within Exploration Permits PR #39806 and PR #39810. These industrial minerals include the following: Vanadium, Lithium, Aggregates, Alunite, Barite, Bentonite, Vermiculite, Carbonatites, Corundum, Dimensional stone (excluding labradorite), Feldspar (excluding labradorite), Fluorspar, Granite, Graphite, Gypsum, Kaolin, Kyanite, Limestone / Dolomite, Marble, Mica, Olivine, Perlite, Phosphate, Potash-Potassium minerals, Pumice Quartz, Staurolite, Zeolites.

Companies in Madagascar first apply for an exploration mining permit with the BCMM, a government agency falling under the authority of the Minister of Mines. Permits under usual circumstances are generally issued within a month. The number of squares varies widely by claim number.

The updated Decret requires the payment of annual administration fees of Permits Research of ~15,000 Ariary (MGA) for exploitation permits in years' one and two. Annual fees increase by multiplying by a factor equivalent to the number of years (plus 1) that the company has held the permit. Exploration permits have an updated duration of five years, with the possibility of two renewals of an additional three years each. Payments of the administration fees are due each year on 31 March, along with the submission of an activity report. Each year, the Company is required to pay a similar, although increasing, amount in order to maintain the claims in good standing.

Reporting requirements of exploration activities carried out by the titleholder on an Exploration Permit are minimal. A titleholder must maintain a diary of events and record the names and dates present of persons active on the Project. In addition, a site plan with a scale between 1/100 and 1/10,000 showing "a map of the work completed" must be presented. CCIC is of the opinion that the Company is compliant in terms of its commitments under these reporting requirements.

The Project has not been legally surveyed; however, since all claim boundaries conform to the predetermined rectilinear LaBorde Projection grid, these can be readily located on the ground by use of Global Positioning System

(“GPS”) instruments. Most current GPS units and software packages do not however offer LaBorde among their available options, and therefore defined shifts have to be employed to display LaBorde data in the WGS 84 system. For convenience, all the Company’s positional data is collected in WGS 84, and if necessary, converted back to LaBorde.

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1.5.3 The Company’s Royalties

Malagasy retains a 1.5% net smelter return royalty on the Project.

1.5.4 Permits

Exploitation Permit PE #39807 (175 km²) and Exploration Permits PR #39806 and PR #39810 are held under the name of a subsidiary of the Company called ERG (Madagascar) Ltd. S.A.R.L.U. and were granted to the Company by the BCMM on February 14, 2019.

The Madagascar Ministry of Environment’s Office National pour l’Environnement (the National Office for the Environment) or “ONE”, granted the Company its Environmental License for the 240ktpa (Phase 1) Project on April 8, 2019 after reviewing the following:

- Exploitation Permit PE #39807
- Environmental & Social Impact Assessment (“ESIA”) and Relocation Action Plan (“RAP”) to International Finance Corporation (IFC) Performance and World Bank Standards
- Completion of local and regional stakeholder and community engagement, with overwhelming support from both the local community and local government, as well as regional government
- Signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed
- Approved capital investment certification from the BCMM
- Receipt of Cahier des Charges Miniér (mining specification) from the BCMM as pre-requisite to submitting the ESIA & RAP to ONE for review
- Successful completion of the ONE’s technical evaluation process which consisted of a site visit and four separate community consultations
- Joint agreement and signature of the Cahier des Charges Environnementales (environmental specification) with the ONE

1.6 Geologic Setting and Mineralization

The Molo deposit occurs within the regional Ampanihy Shear Zone. The most conspicuous feature of rocks found within this shear zone is their well-developed north-south foliation and vertical to sub-vertical nature. Martelat et al. (2000) state that this observed bulk strain pattern is clearly related to a transpressional regime during bulk horizontal shortening of heated crust, which resulted in the exhumation of lower crustal material.

The Project area is underlain by supracrustal and plutonic rocks of late Neoproterozoic age that were metamorphosed under upper amphibolite facies and deformed with upright north-northeast-trending structures. The supracrustal rocks involve migmatitic (\pm biotite, garnet) quartzo-feldspathic gneiss, marble, chert, quartzite, and

amphibolite gneiss. The metaplutonic rocks include migmatitic (\pm hornblende / diopside, biotite, garnet) feldspathic gneiss of monzodioritic to syenitic composition, biotite granodiorite, and leucogranite.

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1.7 Mineral Resource Estimate

The Project hosts the following resources:

- Measured mineral resource of 23.62 Mt grading 6.32% Carbon ("C")
- Indicated mineral resource of 76.75 Mt grading 6.25% C
- Inferred mineral resource of 40.91 Mt at 5.78% C
- The effective date of the Mineral Resource tabulation is 14 August 2014. The Mineral Resources are classified according to the Canadian Institute of Mining, Metallurgy and Petroleum definitions. A cut-off grade of 4% C was used for the "higher grade" zones and 2% C for the "lower grade" zones. It is important to note that while the 'high' grade resource occurs within the 'low' grade resource, each was estimated and reported separately.
- A relative density of 2.36 tonnes per cubic meter was assigned to the mineralized zones for the resource estimation. The resource remains open along strike and to depth. The Mineral Resources are inclusive of the Mineral Reserves below. The Mineral Resources reported herein include Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
- The current mineral resource estimate for Molo is summarized in Table 3 below. The mineral resources are classified in the Measured, Indicated and Inferred categories as defined by the Canadian Institute of Mining, Metallurgy and Petroleum definition standards.

Table 3: Mineral Resource Statement for the Molo Graphite Deposit - September 2014

Classification	Material Type	Tonnes	Grade - C%	Graphite - T
Measured	"Low Grade"	13048373	4.64	605082
Measured	"High Grade"	10573137	8.4	887835
Total Measured		23621510	6.32	1492916
Indicated	"Low Grade"	39539403	4.73	1871075
Indicated	"High Grade"	37206550	7.86	2925266
Total Indicated		76745953	6.25	4796341
Measured + Indicated	"Low Grade"	52587776	4.71	2476157
Measured + Indicated	"High Grade"	47779687	7.98	3813101
Total Measured + Indicated		100367464	6.27	6289257
Inferred	"Low Grade"	24233267	4.46	1080677
Inferred	"High Grade"	16681453	7.70	1285039
Total Inferred		40914721	5.78	2365716

C% = carbon percentage; Graphite – T = Tonnes of graphite

Notes:

- Mineral Resources are classified according to the Canadian Institute of Mining definitions.
- Mineral Resources are reported Inclusive of Mineral Reserves.
- “Low Grade” Resources are stated at a cut-off grade of 2% C.
- “High grade” Resources are stated at a cut-off grade of 4% C.
- Eastern and Western high-grade assays are capped at 15% C.
- A relative density of 2.36 tonnes per cubic metre (t/m³) was assigned to the mineralized zones for the resource tonnage estimation.

The total Measured and Indicated Resource is estimated at 100.37 million tonnes, grading at 6.27% carbon. Additionally, an Inferred Resource of 40.91 million tonnes, grading at 5.78% carbon is stated. When compared to the November 2012 resource statement, (Hancox and Subramani, 2013), this shows a 13.7% increase in tonnage, a 3.4% decrease in grade and a 9.8% increase in graphite content.

The reason for the increase in tonnage is due to the 2014 drilling on the previously untested north eastern limb of the deposit, which added additional new resources. Additionally, 23.62 million tonnes, grading at 6.32% carbon, have been upgraded by infill drilling from the Indicated to Measured Resource category.

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1.8 Exploration

No further exploration is currently planned.

1.9 Mineral Reserve Estimate

The mineral reserves declared in this Molo 2019 (720ktpa) FS are declared as per Table 4 below.

Table 4: Mineral Reserves

Category	Tonnage	C Grade (%)
Proven	14169741	7.00
Probable	8266944	7.04
Proven and Probable	22436685	7.02

Proven reserves are reported as the Measured Resources inside the designed open pit and above the grade cut-off of 4.5% C. Similarly, the Probable Reserves are reported as the Indicated Resources inside the designed open pit and above the grade cut-off of 4.5% C.

1.10 Metallurgical Test Work

The FS analyses are based on a full suite of metallurgical test work performed by SGS Canada Metallurgical Services Inc. in Lakefield, Ontario, Canada. These tests included laboratory scale metallurgical work and a 200-tonne bulk sample / pilot plant program. The laboratory scale work included comminution tests, process development and optimization tests, variability flotation, and concentrate upgrading tests. Comminution test results

place the Molo ore into the very soft to soft category with low abrasivity. A simple reagent regime consists of fuel oil number 2 and methyl isobutyl carbinol at dosages of approximately 120 g/t and 195 g/t, respectively. A total of approximately 150 open circuit and locked cycle flotation tests were completed on almost 70 composites as part of the process development, optimization, and variability flotation program. The metallurgical programs culminated in a process flowsheet that is capable of treating the Molo ore using proven mineral processing techniques and its robustness has been successfully demonstrated in the laboratory and pilot plant campaigns.

The metallurgical programs indicated that variability exists with regards to the metallurgical response of the ore across the deposit, which resulted in a range of concentrate grades between 88.8% total carbon and 97.8% total carbon. Optical mineralogy on representative concentrate samples identified interlayered graphite and non-sulphide gangue minerals as the primary source of impurities. The process risk that was created by the ore variability was mitigated with the design of an upgrading circuit, which improved the grade of a concentrate representing the average mill product of the first five years of operation from 92.1% total carbon to 97.1% total carbon.

The overall graphitic carbon recovery into the final concentrate is 87.8% based on the metallurgical response of composites using samples from all drill holes within the five-year pit design of the original FS at the higher concentrate production rate of 53,000 tpa. The average composition of the combined concentrate grade is presented in Table 5. The size fraction analysis results were converted into a grouping reflecting a typical pricing matrix, which is shown in Table 6.

All assays were completed using control quality analysis and cross checks were completed during the mass balancing process to verify that the results were within the estimated measurement uncertainty of up to 1.7% relative for graphite concentrate grades greater than 90% total carbon.

Table 5: Metallurgical Data - Flake Size Distribution and Product Grade

Product Size	% Distribution	Product Grade (%) Carbon
+48 mesh (jumbo flake)	23.6	96.9
+65 mesh (coarse flake)	14.6	97.1
+80 mesh (large flake)	8.2	97.0
+100 mesh (medium flake)	6.9	97.3
+150 mesh (medium flake)	15.5	98.1
+200 mesh (small flake)	10.1	98.1
-200 mesh (fine flake)	21.1	97.5

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Table 6: Pricing Matrix - Flake Size Distribution Grouping and Product Grade

Product Size	% Distribution	Product Grade (%) Carbon
>50 mesh	23.6	96.9
-50 to +80 mesh	22.7	97.1
-80 to +100 mesh	6.9	97.2
-100 mesh	46.8	97.6

Vendor testing including solid-liquid separation of tailings and concentrate, screening and dewatering of concentrate, and drying of concentrate was completed successfully.

1.11 Recovery Methods

The process design is based on an annual Phase1 feed plant throughput capacity of 240 kilotonnes at a nominal head grade of 8.05% C(t) producing an estimated average of 17 kilotonnes per annum (ktpa) of final concentrate.

The same process design has been applied to an annual Phase 2 feed plant throughput capacity of 720 kilotonnes at a nominal head grade of 8.05% C, which would produce an estimated average of 45 ktpa of final graphite concentrate.

The ore processing circuit consists of three stages of crushing which comprises jaw crushing in the primary circuit, followed by secondary cone crushing and tertiary cone crushing; the secondary and tertiary crushers operate in closed circuit with a double deck classification screen. Crushing is followed by primary milling and screening, graphite recovery by froth flotation and concentrate upgrading circuit by attritioning, and graphite product and tailings effluent handling unit operations. The crusher circuit is designed to operate 365 days per annum for 24 hours per day at $\pm 55\%$ utilization. The crushed product (P80 of approximately 13 mm) passes through a surge bin from where it is fed to the milling circuit.

The milling and flotation circuits are designed to operate 365 days per annum for 24 hours per day at 92% utilization. A single stage primary ball milling circuit is employed, incorporating a closed-circuit classifying screen and a scalping screen ahead of the mill. The scalping screen undersize feeds into a flash flotation cell before combining with the mill discharge material. Scalping and classification screen oversize are the fed to the primary mill.

Primary milling is followed by rougher flotation which, along with flash flotation, recovers graphite to concentrate from the main stream. Rougher flotation employs six forced-draught trough cells. The recovered concentrate is then upgraded in the primary, fine-flake and attritioning cleaning circuits to an estimated final product grade of above 94% C(t). The primary cleaning circuit consists essentially of a dewatering screen, a polishing ball mill, a column flotation cell and flotation cleaner/cleaner scavenger trough cells.

The primary cleaner column cell concentrate gravitates to a 212 μm classifying screen, from where the large-flake oversize stream is pumped to a high rate thickener located in the concentrate attritioning circuit whilst the undersize is pumped to the fine-flake cleaning circuit.

The fine flake cleaning circuit consists primarily of a dewatering screen, a polishing ball mill, a column flotation cell and flotation cleaner/cleaner scavenger trough cells. The attritioning cleaning circuit employs a high rate thickener, an attritioning stirred media mill, a column flotation cell and flotation cleaner/cleaner scavenger trough cells. Fine flake column concentrate is combined with the +212 μm primary cleaner classifying screen oversize as it feeds the attritioning circuit thickener. Concentrate from the attrition circuit is pumped to the final concentrate thickener.

The combined fine flake cleaner concentrate and the +212 μm may also be processed through the secondary attrition circuit which consists of a dewatering screen, an attrition scrubber, column flotation cell and cleaner/cleaner scavenger trough cells. Concentrate from this circuit is pumped to the final concentrate. The secondary attrition circuit is optimal.

Combined rougher and cleaner flotation final tailings are pumped to the final tailings thickener. Thickened final concentrate is pumped to a filter press for further dewatering before the filter cake is stockpiled prior to load and haul.

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The concentrate thickener underflow is pumped to a linear belt filter for further dewatering and fed to a diesel-fired rotary kiln for drying. The dried concentrate is then screened into four size fraction:

- +48 mesh
- -48 + 80 Mesh
- -80 +100 mesh

- -100 mesh

The various product sizes are bagged and readied for shipping.

Chemical reagents are used throughout the froth flotation circuits and thickeners. Diesel fuel is used as collector and liquid MIBC (methyl isobutyl carbinol) frother are used within the flotation circuits. Diesel collector is pumped from a diesel storage isotainer, from where it enters a manifold system which supplies multiple variable speed peristaltic pumps which discretely pump the collector at set rates to the various points-of-use within the flotation circuits.

MIBC (methyl isobutyl carbinol) frother is delivered by road to an isotainer. A manifold system on the storage isotainer supplies multiple variable speed peristaltic pumps, which discretely pump the frother at set rates to the various points-of-use within the flotation circuits.

Flocculant powder (Magnafloc 24) is delivered by road to the plant reagent store in 25 kg bags. The bags are collected by forklift as required and delivered to a flocculant mixing and dosing area. Here the flocculant is diluted as required using parallel, duplicate vendor-package automated make-up plants, each one being dedicated to supplying the concentrate and tailings thickeners due to the flocculant types required being different for each application. Variable speed peristaltic pumps discretely pump the flocculant at set rates to the thickeners' points-of-use.

Coagulant powder (Magnafloc 1707) for thickening enhancement is handled similarly to the flocculant as described above, the exception being that a single make-up system is provided to supply both the concentrate and tailings thickeners. Again, variable speed peristaltic pumps discretely pump the coagulant at set rates to the thickeners' points-of-use.

1.12 Infrastructure

The project is located in a relatively remote part of South Western Madagascar, approximately 13 km NE of the local village of Fotadrevo. There is currently limited infrastructure on site and project infrastructure will have to be constructed.

The following elements are all part of the project scope:

- Raw water supply (from a network of bore holes extracting ground water)
- Power supply (temporary during construction) and then a permanent diesel power station to supply the plant and permanent camp
- Sanitation for the plant, permanent camp, and temporary during construction
- Storm water control and management
- All permanent buildings (offices, workshops, stores, laboratory)
- All buried services (potable water, sewage, stormwater, electrical reticulation)
- In plant roads
- Haul road
- Waste, high and low grade -Rock dumps.

As the proposed Phase1 plant is a small plant, and with the Company's intention to rapidly expand to a larger Phase 2 process plant and mining operation, the brief from the Company was to develop a "fit for purpose" and cost-effective design without compromising on safety or quality.

1.13 Geotechnical

The geotechnical investigation conducted by SRK Consulting in 2014 was used as reference document for the design and planning of this phase of the project. (Report 479297/Plant Geotech/Final).

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In summary, transported soils are present across all areas investigated to shallow depths not exceeding a maximum depth of 0.6 m. From the consistencies noted during test pit excavations the transported soils are anticipated to have a maximum allowable bearing capacity of 100 kPa, limiting total consolidation settlement to 25 mm.

Residual soils were noted in the majority of the test pits excavated and comprised dense to very dense silty and/ or clayey sands. The residual soils are expected to have a maximum allowable bearing capacity of 200 kPa, limiting total consolidation settlement to 25 mm (differential settlement expected to be half this value).

As rock is located at a shallow depth at most locations it is recommended that structures generally be founded on rock rather than the overlying thin soils. However, light structures with loads of less than 100 kPa could be founded on the soils if necessary.

1.14 Concrete

Concrete grades and mix design were selected taking into consideration durability requirements. Particular attention will be given to wet process plant areas and wash down slabs. All foundations were designed as pad or raft type foundations with load bearing pressures not exceeding 150kPa. Foundations were designed to minimize settlement.

1.15 Storm Water

Storm water runoff within the process plant areas are dealt with by a minimum slope on the terrace platform. Runoff is then collected in concrete lined V-drains.

Storm water within the process plant area will be collected through dedicated storm water containment channels and then handled accordingly.

1.16 Product Pricing

As an industrial mineral, flake graphite pricing is determined by three factors: 1) flake size, 2) carbon purity and 3) industry-specific technical attributes of the flakes (Benchmark, 2017a; Roskill, 2017). Flake sizing is broadly classified into four ranges: small (-100 mesh, or <75µm) medium (-80 to 100 mesh, or 75µm to 180µm), large (-50 to 80 mesh, or 180µm to 300µm), and extra-large or jumbo (+50 mesh, or >300µm). These flake sizes are in turn classified by carbon content ("C"), and are typically sold in ranges of 88-93% C, 94-95% C, and 95-97% C. The specific technical attributes of the flakes are then defined by end-user parameters such as expansion coefficient, thermal and electrical conductivity, and charge-discharge stability and efficiency. As the technical parameters sought by end-users are proprietary to their processes, pricing is not publicly available. There are however subscription pricing services that provide monthly graphite pricing for various flake sizes and carbon purities based upon input from graphite purchasers. The company utilized the average pricing for the past 12 months for flake graphite sold on an FOB China basis, provided by UK-based Benchmark Mineral Intelligence, with the flake size distribution of Molo graphite to arrive at a "basket" sale price of US \$1207.55 per tonne as outlined in Section 19.3

1.17 Logistics

The Port of Ehoala at Fort Dauphin is a modern (2009) port developed by Rio Tinto for the QMM project. It has a 15m draft with shipping lines calling on a regular basis. There are however no crane facilities and vessels require their own cranes.

The following equipment are available at the port.

- 1 x 3.5T Telehandler
- 5 x Trailers for container movement (2x40ft, 3x20ft)
- 1 x Tractor
- 2 x Reach stacker
- 6 x Forklifts (1 x 2.5T; 2 x 5T; 3 x 7T)

The port is fenced and there is a security service (G4S) for days and nights port guarding. Despite the presence of a national airport, the port of Ehaola is mainly connected to the hinterland destinations by road. All types of trucks can obtain access to the port and his berth for cargo off loading, however the majority are container trucks (20ft and 40ft).

Customs are available on site and clearance can be streamlined via pre-clearance in order to lessen standing time of the containers once arrived. It is to be noted that all cargo items imported into the Republic of Madagascar, needs to have a BSC online cargo tracking note. Failing to submit the BSC certificate, cargo cannot be cleared, and the shipment will be sent back to origin and be subject to a fine of 2500 USD per Bill of lading, plus regulations charges. All containers, vehicles, bulk commodities, including airfreight requires a BSC certificate.

The route from Molo to Fort Dauphin runs either via the RN 10 or the RN 13. Both these routes are in relatively poor condition and trucks are expected to take between four and five days to make the round trip. A truck was run over the route by a Madagascan trucking contractor to gauge cycle times and they managed to complete the journey in two long days each way. This was in the dry season and in the wet season there may be periods of time when the roads become impassable. No money has been budgeted for roads repairs or upgrades.

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Due to the poor road conditions, majority of cargo would have to be transported to site during the dry season. Cargo transport limitations include:

- 12m (L) x 3.5m (W) x 2.8m (H) at a maximum of 35 T per 3-axle trailer.
- 12m (L) x 2.5m (W) x 3.5m (H) at a maximum of 26 T per 2-axle trailer.

Cargo exceeding 4m width pose problems to transport due to the Manambaro Bridge, as there is no possibility to divert. Some access areas would also need to be adjusted for items holding a width of 2.3m – 3.6m. (Ex. Raft of Bevilana). Any cargo exceeding the above-mentioned limitations would have to be considered on a case-by-case basis prior to importation.

Specialised trailers and equipment for transporting out-of-gauge items are limited. The design of equipment / plant would have to consider above mentioned limitations in order to ensure equipment can be transported to Site from Port.

1.18 CAPEX and OPEX

The Phase 1 initial CAPEX is estimated at \$21.0 M, including a 10% contingency, with an additional \$3.1 M required to cover the first 3 months of working capital. Phase 2 CAPEX is estimated at \$67.4 M, including a 12.5% contingency, with an additional \$7.3 m required to cover the first 3 months of working capital. Over the life of the mine, sustaining capital of \$3.3 M will be required for equipment replacement and for rehabilitation at the end of the project. Table 7 summarizes the capital requirements.

The base date for the capital costs is May 2019 and no provision has been made for escalation. The accuracy of capital costs is considered to be with +/- 10%.

Table 7: Capital Costs

	Phase 1 (240ktpa)	Phase 2 (720ktpa)
Capital Cost Breakdown		
Process Equipment	\$ 8,438,609.00	\$25,315,827.00
Civil & Infrastructure	\$ 2,103,672.21	\$ 6,661,016.63
Tailings	\$ 0.00	\$ 0.00
Mining	\$ 2,574,143.85	\$ 4,913,341.38
Buildings	\$ 1,154,609.43	\$ 2,886,523.59
Electrical Infrastructure	\$ 128,804.10	\$ 386,412.30
Project Services/EPCM	\$ 931,481.79	\$ 2,794,445.38
Construction Services	\$ 1,474,775.11	\$ 3,686,937.78
Indirect Costs	\$ 372,750.00	\$ 1,118,250.00
Environmental & Permitting costs	\$ 729,827.94	\$ 1,459,655.89
Owner's Costs	\$ 1,197,000.00	\$ 4,189,500.00
Sub-total	\$19,105,673.44	\$53,411,909.93
Contingency (10%/12.5%)	\$ 1,910,567.34	\$ 6,676,488.74
3 Months Working Capital	\$ 3,100,000	\$ 7,300,000
CAPEX TOTAL	\$ 24,116,241	\$67,388,398.67
Sustaining CAPEX over Life of Mine		\$ 3,300,000

The operating costs per tonne of finished graphite flake concentrate delivered on a FOB basis at the Port of Fort Dauphin, Madagascar are outlined in Table 8.

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Table 8: Operating Costs per Tonne of Finished Graphite Concentrate

Category	Phase 1	Phase 2
	Operating cost	
Mining (US\$/T)	102.81	65.34
Processing (US\$/T)	265.82	265.82
Trucking to local port / Ft. Dauphin (US\$/T)	133.01	133.01
General and Administration (US\$/T)	64.29	50.00
TOTAL	\$ 565.93	\$ 514.17

Please note that these operating costs assume that the plant is able to successfully handle the variability in the ore body, as shown by the SGS test work discussed in detail in Section 13. Should the plant not perform as expected this could have a material impact on operating costs as:

- The flake size distribution could be worse than expected
- The product grade could be lower than expected
- The recoveries could be lower than expected or a combination of all of these

1.19 Economic analysis

Table 9 below summarizes the economic analysis of the project using discounted cash flow methods.

Table 9: Economic Analysis of the Project

Metric	Unit	Value
Before Tax		

Total Project Cash Flows	USDm	841
NPV @ 8%	USDm	237.1
NPV @ 10%	USDm	182.9
NPV @ 12%	USDm	143.3
IRR	%	43.10%
Payback Period	year	3.4
After Tax		
Total Project Cash Flows	USDm	671.6
NPV @ 8%	USDm	184.3
NPV @ 10%	USDm	140.5
NPV @ 12%	USDm	108.4
IRR	%	36.20%
Payback Period	year	3.8

Note

All values in the above table do not account for inflation in costs or product pricing.

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The assumptions used in the financial model are as follows:

- 13 South African Rand (ZAR) to US\$1
- 1.1 Euro to US\$1
- 12% Import Duties and Taxes

1.20 Environmental & Permitting

The Madagascar Ministry of Environment's Office National pour l'Environnement (the National Office for the Environment) or "ONE", granted the Company its Environmental License for the 240ktpa (Phase 1) Project on April 8, 2019 after reviewing the following:

- Exploitation Permit PE #39807
- Environmental & Social Impact Assessment ("ESIA") and Relocation Action Plan ("RAP") to International Finance Corporation (IFC) Performance and World Bank Standards
- Completion of local and regional stakeholder and community engagement, with overwhelming support from both the local community and local government, as well as regional government
- Signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed
- Approved capital investment certification from the BCMM
- Receipt of Cahier des Charges Mini er (mining specification) from the BCMM as pre-requisite to submitting the ESIA & RAP to ONE for review
- Successful completion of the ONE's technical evaluation process which consisted of a site visit and four separate community consultations

- Joint agreement and signature of the Cahier des Charges Environnementales (environmental specification) with the ONE.

1.20.1 **Environmental and Social Impact Assessment**

A comprehensive Environmental and Social Impact Assessment was completed and submitted to Malagasy government as part of the Environmental Permit process.

Early integration of environmental and social sensitivities and risks ensured that the final impact assessment component revealed that there are no fatal flaws from an environmental and social perspective. The significance levels of impacts range from minor to major before any mitigation measures are applied and from minor to average with mitigation measures included. Notably, all major risks require significant reduction in risk via stringent controls. These controls have been incorporated into the Project design and planning with additional operational controls specified within the various environmental and social management plans.

To this end, the ESIA contains a chapter which details specific management measures which either remove the risks completely or reduce their significance to an acceptable level.

In addition, each specific environmental and social component has a prescribed monitoring plan which will be followed during each Project developmental phase. This is aimed at monitoring compliance against various specifications such as the baseline environment and predicted impact removal and reduction measures.

1.21 **Conclusions**

1.21.1 **Geology**

The Company's 2011 exploration programme delineated a number of new graphitic trends in southern Madagascar. The resource delineation drilling undertaken during 2012-2014 focussed on only one of these, the Molo Deposit, and this has allowed for an Independent, CIM compliant, updated resource statement for the Molo deposit.

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The total Measured and Indicated Resource is estimated at 100.37 Mt, grading at 6.27% C. Additionally, an Inferred Resource of 40.91 Mt, grading at 5.78% C is stated. When compared to the November 2012 resource statement (Hancox and Subramani, 2013), this shows a 13.7% increase in tonnage, a 3.4 % decrease in grade, and a 9.8% increase in graphite content. The reason for the increase in tonnage is due to the 2014 drilling on the previously untested north eastern limb of the deposit, which added additional new resources. Additionally, 23.62 Mt, grading at 6.32% Carbon, have been upgraded by infill drilling from the Indicated to Measured Resource category.

1.21.2 **Mining**

Maiden mineral reserves of 22 300 000 tonnes have been declared for the Molo 2019 720ktpa (Phase 2) FS at an average grade of 7.0% and based on the information contained in the FS, it is possible to economically mine this deposit.

1.21.3 **Tailings**

Due to the substantially reduced tonnages for the project as envisaged, tailings will be dried and co-disposed with the waste rock generated as part of the open cast mining. Despite this co-disposal approach, a detailed design has been completed, complete with environmental and social impact assessment and closure to allow for the upgrade to a more conventional, cyclone facility, should the throughput be increased during the life of the mine with an expansion to Phase 2 production. This approach has been pursued to ensure that sufficient flexibility is built into the project development strategy to accommodate the anticipated increase in market demand.

1.21.4 **Risks**

In addition to the qualitative risk assessment completed during the Molo 2015 FS, a comprehensive HAZID study was completed as part of this Molo 2019 720ktpa (Phase 2) FS.

1.21.5 **Permitting**

The Mining and Environmental Permits have been obtained for the project, but supplementary sectoral permits will be required.

1.21.6 **Metallurgical Test Work**

Comprehensive metallurgical test programs culminated in a process flowsheet that is capable of treating the Molo ore using conventional and established mineral processing techniques.

Process risks associated with the variability with regards to metallurgical performance have been mostly mitigated through the addition of an upgrading circuit. The upgrading circuit treated the combined concentrate after the secondary cleaning circuit. Reduced flake degradation and an improved process flexibility may be obtained by employing separate upgrading circuits for the coarse and fine flakes.

1.22 **Recommendations**

1.22.1 **Geology**

No further recommendations.

1.22.2 **Mining**

The Project will allow for potential optimization of drilling and blasting designs during execution that could reduce operating costs slightly.

From a pure mining perspective, the Project is robust and provided reasonable levels of short-term planning are applied it should have very few challenges in delivering the required tonnages at the required grade to meet the production targets set out in this study.

1.22.3 **Metallurgical Test Work**

The following recommendations are made for the detailed engineering stage:

- Investigate the metallurgical impact of different attrition mill technologies such as stirred media mills or attrition scrubbers;
- Evaluate a range of different grinding media (e.g. different size, shape, material) to determine if flake degradation can be reduced without affecting the concentrate grade;
- Develop a grinding energy versus concentrate grade relationship for the best grinding media. This will allow a more accurate prediction of the required attrition mill grinding energy as a function of the final concentrate grade;
- Conduct attrition mill vendor tests to aid in the sizing of the equipment;

- Carry out vendor testing on graphite tailings using the optimized reagent regime proposed by the reagent supplier.
- Complete a series of flotation tests on samples covering mine life intervals for the Molo 2019 720ktpa (Phase 2) FS pit design.

1.22.4 **Recovery Methods**

The process plant has been designed to easily optimize the final product grade, this is achieved by having two options in the attrition cleaning step. It is however recommended that additional laboratory test work be conducted to test the current plant configuration for treatment for higher feed grade material. Provision is to be made for attritioning circuit tailings to be recycled back into the process.

1.22.5 **Infrastructure**

The following are recommended prior to the detailed design stage:

- Additional geotechnical investigations at the proposed new construction and permanent camp site, particularly at the location of the new potable water storage tanks
- A detailed geotechnical investigation will need to be undertaken to identify and confirm suitable sources of concrete aggregate and concrete sand materials at the location of the project site. This testing will need to include for concrete material testing and the production of concrete trial mixes with the material identified
- The geotechnical information will also need to confirm the suitability for construction of all the material to be excavated from the Return Water Dam. It is proposed that all the material excavated from the Return Water Dam is utilized in the works as processed fill material
- Confirmation as to whether the material from the proposed borrow pit near Fotadrevu (which will be used to supply all fill material for the TSF starter wall construction) can be utilized as fill material, or if this material can be stabilized in some manner and used in the works
- A detailed topographical survey will need to be undertaken of the proposed construction site, borrow pit areas and the access road between Fotadrevu and the mine site. This information is required prior to the final detailed design of the plant layout and associated earthworks

1.22.6 **Water**

The following is recommended during the detailed design phase:

- Water quality and quantity data is required to provide a baseline for comparison once the Molo Mine is commissioned. To provide the necessary baseline data, regular ground and surface water quality monitoring must be carried out leading up to the date when the Molo Mine will be commissioned. Additionally, proposed monitoring boreholes must be installed. This also should include the installation of flow meters on relevant pipelines to verify the dynamic water balance with measured flow rates during operations.
- The installation of a weather station on the Project site should be done as soon as possible.
- Quantitative and predictive water balance, groundwater and geochemical analyses should be undertaken on regular intervals in order to update the water management plan.

1.22.7 **Environmental, Social**

- The installation of a suitable weather station at or as near as possible to the proposed project site, even before construction commences, is recommended. Accurate, local weather data is almost non-existent in Madagascar. This data will prove invaluable for model calibration, improvement in baseline understanding and for future energy supply options which could utilise wind and or solar power generation.
- Clean and or renewable energy supply should be considered as a medium to long term target.
- Appointment of a community representative and the establishment of a mandate to sensitize the local communities prior to any project activities.
- Monitoring and auditing to commence at project preparation phase.
- Compilation of Standard Operating Procedures for Environmental and Social aspects requiring direct management and intervention.
- It is recommended that actual activity data, (e.g. kilometres travelled, or litres of diesel consumed) for a financial year is used when a GHG Assessment is being calculated. Given that this project involves an estimation of a future GHG assessment for activities yet to begin, a series of assumptions have been made in order to obtain the activity data required to undertake this calculation.
- Community recruitment, skills development and training should begin at project preparation phase.

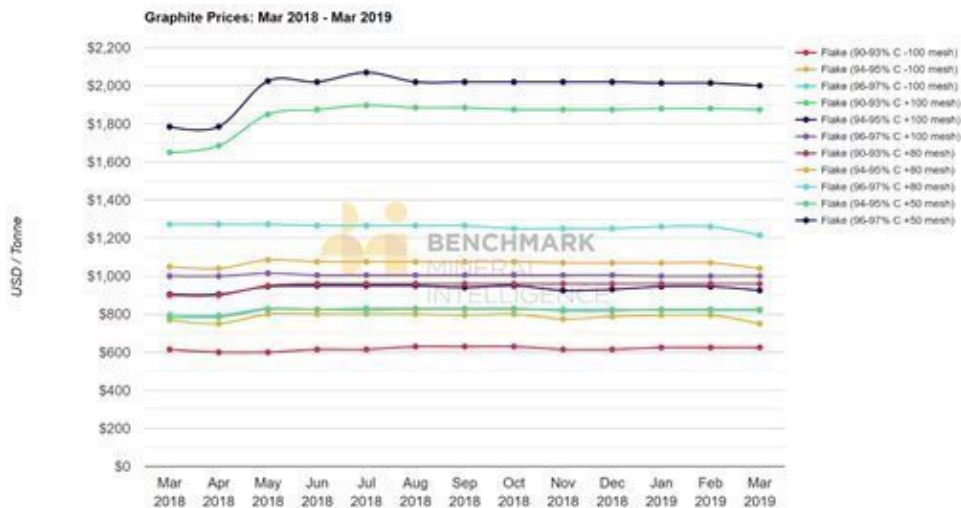
1.22.8 **Permitting**

- Security of land tenure is a process and is estimated to take 6-9 months, thus this process should be commissioned as early as possible.
- Application for all other necessary permits (water use, construction, mineral processing, transportation, export, labour and so forth should be undertaken.
- Compilation of a comprehensive legal register.
- Application for an amendment of the environmental approval would be required for the expansion to 720ktpa (Phase 2).

19.3 **Flake Graphite Pricing**

As an industrial mineral, flake graphite pricing is determined by three factors: 1) flake size, 2) carbon purity and 3) industry-specific technical attributes of the flakes (Benchmark, 2017a; Roskill, 2017). Flake sizing is broadly classified into four ranges: small (-100 mesh, or <75µm) medium (-80 to 100 mesh, or 75µm to 180µm), large (-50 to 80 mesh, or 180µm to 300µm), and extra-large or jumbo (+50 mesh, or >300µm). These flake sizes are in turn classified by carbon content ("C"), and are typically sold in ranges of 88-93% C, 94-95% C, and 95-97% C. The specific technical attributes of the flakes are then defined by end-user parameters such as expansion coefficient, thermal and electrical conductivity, and charge-discharge stability and efficiency. As the technical parameters sought by end-users are proprietary to their processes, pricing is not publicly available. There are however subscription pricing services that provide monthly graphite pricing for various flake sizes and carbon purities based upon input from graphite purchasers. Figure 86 identifies the average monthly flake graphite pricing for the past 12 months as provided by Benchmark Mineral Intelligence (Benchmark, 2019).

Figure 86: Monthly Flake Graphite Pricing For Various Flake Sizes And Carbon Contents (Benchmark, 2019).



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As Table 43 illustrates, the final flake graphite concentrate from the Molo deposit metallurgical work yielded material ranging from 96.9% C to 98.1% C. Table 43 summarizes FOB China flake graphite pricing from Benchmark (2019) over the past 12 months for material with a carbon content ranging between 96-97% C.

Table 43: 12 Month Flake Graphite Pricing With Carbon Contents Between 96-97% C And On A Fob China Basis.

Date	+50 mesh			+80 mesh			+100 mesh			-100 mesh		
	PriceHigh	PriceLow	PriceMid	PriceHigh	PriceLow	PriceMid	PriceHigh	PriceLow	PriceMid	PriceHigh	PriceLow	PriceMid
18-Mar	\$ 1,850	\$ 1,720	\$ 1,785	\$ 1,300	\$ 1,245	\$ 1,273	\$ 1,080	\$ 920	\$ 1,000	\$ 825	\$ 770	\$ 798
18-Apr	\$ 1,850	\$ 1,720	\$ 1,785	\$ 1,300	\$ 1,245	\$ 1,273	\$ 1,080	\$ 920	\$ 1,000	\$ 820	\$ 770	\$ 795
18-May	\$ 2,150	\$ 1,900	\$ 2,025	\$ 1,300	\$ 1,245	\$ 1,273	\$ 1,080	\$ 950	\$ 1,015	\$ 890	\$ 770	\$ 830
18-Jun	\$ 2,140	\$ 1,900	\$ 2,020	\$ 1,290	\$ 1,240	\$ 1,265	\$ 1,065	\$ 945	\$ 1,005	\$ 880	\$ 770	\$ 825
18-Jul	\$ 2,140	\$ 2,000	\$ 2,070	\$ 1,290	\$ 1,240	\$ 1,265	\$ 1,065	\$ 945	\$ 1,005	\$ 870	\$ 770	\$ 820
18-Aug	\$ 2,140	\$ 1,900	\$ 2,020	\$ 1,290	\$ 1,240	\$ 1,265	\$ 1,065	\$ 945	\$ 1,005	\$ 880	\$ 770	\$ 825
18-Sep	\$ 2,140	\$ 1,900	\$ 2,020	\$ 1,290	\$ 1,240	\$ 1,265	\$ 1,065	\$ 945	\$ 1,005	\$ 880	\$ 770	\$ 825
18-Oct	\$ 2,140	\$ 1,900	\$ 2,020	\$ 1,300	\$ 1,200	\$ 1,250	\$ 1,065	\$ 945	\$ 1,005	\$ 880	\$ 770	\$ 825
18-Nov	\$ 2,140	\$ 1,900	\$ 2,020	\$ 1,300	\$ 1,200	\$ 1,250	\$ 1,065	\$ 945	\$ 1,005	\$ 880	\$ 770	\$ 825
18-Dec	\$ 2,140	\$ 1,900	\$ 2,020	\$ 1,300	\$ 1,200	\$ 1,250	\$ 1,065	\$ 945	\$ 1,005	\$ 880	\$ 770	\$ 825
19-Jan	\$ 2,130	\$ 1,900	\$ 2,015	\$ 1,280	\$ 1,240	\$ 1,260	\$ 1,055	\$ 945	\$ 1,000	\$ 870	\$ 770	\$ 820
19-Feb	\$ 2,130	\$ 1,900	\$ 2,015	\$ 1,280	\$ 1,240	\$ 1,260	\$ 1,055	\$ 945	\$ 1,000	\$ 870	\$ 770	\$ 820
19-Mar	\$ 2,100	\$ 1,900	\$ 2,000	\$ 1,280	\$ 1,150	\$ 1,215	\$ 1,055	\$ 945	\$ 1,000	\$ 870	\$ 770	\$ 820

Using the flake size distribution arrived at from metallurgical testing (Table 26) with the average pricing as identified in Table 43, yields a 12 month average “basket price” of US \$1207.55 for Molo graphite as per Table 44 below.

Table 44: Average 12 Month (March 2018 Through March 2019) Flake Graphite Pricing For Molo Distribution.

Yield (%)	Microns	Mesh Size	C%	Sale \$	\$/T
23.60%	>300 µm	+50 mesh	96.90%	\$1,985.77	\$468.64
22.80%	180-300 µm	+80 mesh	97.00%	\$1,258.65	\$286.97
6.90%	150-180 µm	+100 mesh	97.20%	\$1,003.85	\$69.27
46.70%	<75 µm	-100 mesh	97.60%	\$819.42	\$382.67
100%			97.20%		\$1,207.55

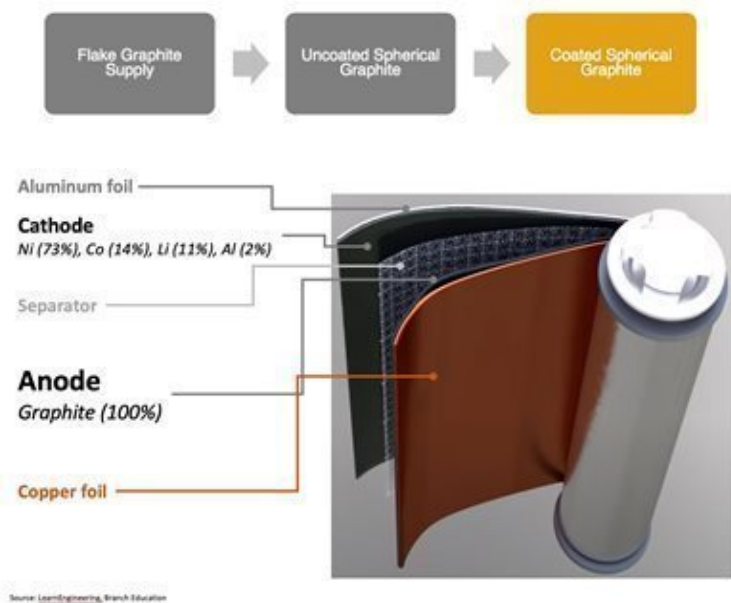
Further details regarding the Molo Graphite Project, incorporated by reference, is the Molo Feasibility Study dated May 31, 2019 technical report that has been filed under the Company's profile and on SEDAR at www.sedar.com, and is posted on NextSource's website at www.nextsourcematerials.com. Please see "Molo Feasibility Study, National Instrument 43-101 Technical Report on the Molo Graphite Project located near the village of Fotadrevo in the Province of Toliara, Madagascar Prepared by Erudite Strategies (Pty) Ltd" dated May 31, 2019 for certain other details and assumptions relating to the above mineral resource and reserve estimates and data verification procedures.

The 2019 Feasibility Study was prepared in accordance with National Instrument 43-101 standards by Mr. Johann de Bruin, Pr. Eng. Mr. de Bruin is the Qualified Person who verified the technical data using industry acceptable standards and signed off on the relevant sections in the 43-101 report filed on SEDAR.

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5. VALUE-ADDED MATERIAL PROCESSING FACILITY

The Company is currently evaluating the construction of value-added processing facilities that can convert flake graphite into spheronized and purified graphite ("SPG") and coated spheronized graphite ("CSPG"). The coated spheronized purified graphite is then sold to battery manufacturers, where it is rolled into an anode and is assembled with other components into a finished battery. The following is a representation of a conversion process and the typical battery with the approximate composition of the primary components:



The SPG and CSPG produced from the value-added processing facilities can be sold at significantly greater prices per tonne than flake graphite. Transactions in the SPG and CSPG market are generally based on private negotiations between buyers and sellers, as a result there is no spot or forward market. Research companies such as Benchmark and Roskill estimate current and historical pricing based on their proprietary market research and publish forward estimates for select grades and product types. According to Roskill, the average price of CSPG imported into China in 2019 and 2020 were USD\$7,157 per tonne and USD\$7,307 per tonne, respectively.

On April 12, 2021, the Company announced a binding partnership agreement to construct and operate its own turnkey spheronized and purified graphite ("SPG") production facility. SPG is a key component of lithium-ion batteries such as those used in electric vehicle ("EV") and hybrid vehicle applications. The partnership involves Japanese and Chinese companies that currently operate their own SPG and CSPG facilities that provide SPG and CSPG to leading Japanese lithium-ion battery makers that are within the supply chains of Tesla and other major EV automotive companies.

- The Chinese partner will design and develop the process flowsheets, source all necessary graphite processing equipment, and will provide all the necessary training and operational know-how necessary for the production SPG material. In return, the Chinese partner will receive a 3% licensing fee based on the total annual sales value of anode material sold.
- The Japanese partner will leverage its sales relationships and will act as NextSource's exclusive agent for sales, marketing and trading of battery (graphite) anode material sold to OEM anode suppliers and to OEMs directly. In return, the Japanese partner will receive a 5% sales commission based on the total annual sales value of anode battery material sold.

The Company is currently working with its partners to determine the initial production capacity and will complete a technical study to determine capital and operating costs based on proposed locations. Proposed locations for the value-added facility include South Africa, Europe, or North America.

Construction of one or more of these SPG production facilities will be subject to obtaining a positive technical study and securing sufficient funding for construction and initial working capital. Completion of the technical report is expected in late 2021 with a construction decision in early 2022. Construction of the first value-added production facility could begin in mid-2022 followed by commissioning in late 2022.

6. MINERAL EXPLORATION PROJECTS

Green Giant Vanadium Project, Province of Toliara, Madagascar

Overview and Project Plan

The Green Giant Vanadium Project is located 15 kilometres from the Molo Graphite Project and hosts a large sedimentary-hosted vanadium deposit.

Since early 2012, the Company has focused its efforts on the Molo Graphite Project and as such only limited work has been completed on the Green Giant Vanadium Project since that time.

The Company plans to complete additional metallurgical evaluation of the property during the next 12 months to establish a mineral processing flow sheet.

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Royalty

On June 28, 2021, the Company received the royalty funding from Vision Blue for the construction of the Molo Graphite Mine. As part of the royalty agreement, Vision Blue will receive a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide ("V₂O₅") from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅.

History

In 2007, the Company entered into a joint venture agreement with Madagascar Minerals and Resources SARL ("MMR") to acquire a 75% interest in the Green Giant property. Pursuant to the agreement, the Company paid \$765,000 in cash, issued 250,000 common shares and issued 100,000 common share purchase warrants, which have now expired.

On July 9, 2009, the Company acquired the remaining 25% interest by paying \$100,000. MMR retains a 2% NSR. The first 1% NSR can be acquired at the Company's option by paying \$500,000 in cash or common shares and the second 1% NSR can be acquired at the Company's option by paying \$1,000,000 in cash or common shares.

The Green Giant property is located within exploration permits issued by the Bureau de Cadastre Minier de Madagascar (“BCMM”) pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The Green Giant property exploration permits are currently held under the name of our Madagascar subsidiary.

Exploration and Evaluation

A comprehensive diamond-drill program confirmed five vanadium-bearing trends on the property. The Jaky and Manga trends were deemed the most prospective and were the focus of the 2009 and 2010 drill programs. The complete exploration program included of 131 diamond drill holes totalling 21,957 metres, 140 trenches totalling 17,105 metres, 11,035 soil samples and 7,843-line kilometres of airborne surveys.

The exploration work resulted in a National Instrument 43-101 compliant (NI 43-101) resource estimate dated January 14, 2011.

Mineral Resource Estimate

The current mineral resource estimate for the Green Giant Project is summarised below consisting of the resource categories, the tonnage, the vanadium grade (“V₂O₅%”) and the contained vanadium (“V₂O₅”) pounds. A cut-off grade of 0.5% V₂O₅ was used. The mineral resources are classified in the Indicated and Inferred categories as defined by the Canadian Institute of Mining, Metallurgy and Petroleum definition standards.

Classification	Tonnage (Mt)	Grade (V ₂ O ₅ %)	V ₂ O ₅ (million pounds)
Indicated	49.5	0.693%	756.3
Inferred	9.7	0.632%	134.5

Readers are cautioned to refer to the technical study for certain other details and assumptions relating to the above mineral resource and reserve estimates and data verification procedures.

The Technical Report for the Green Giant Project has been filed under the Company’s profile and on SEDAR at www.sedar.com, and is posted on NextSource’s website at www.nextsourcematerials.com. Please see “Green Giant Project, Fotadrevo, Province of Toliara, Madagascar, Technical Report Update NI 43-101. Prepared by AGP Mining Consultants” dated January 14, 2011 for certain other details and assumptions relating to the above mineral resource estimates and data verification procedures.

Sagar Project, Labrador Trough Region, Quebec, Canada

Overview and Project Plan

In 2006, the Company purchased from Virginia Mines Inc. (“Virginia”) a 100% interest in 369 claims located in northern Quebec, Canada. Virginia retains a 2% net smelter royalty (“NSR”) on certain claims within the property. Other unrelated parties also retain a 1% NSR and a 0.5% NSR on certain claims within the property, of which half of the 1% NSR can be acquired by the Company by paying \$200,000 and half of the 0.5% NSR can be acquired by the Company by paying \$100,000.

Since early 2012, the Company has focused its efforts on the Molo Graphite Project and as such only minimal work has been completed on the Sagar Property since that time.

As of June 30, 2021, the Sagar property consisted of 184 claims covering a total area of 8,539.58 ha.

The Company does not have any immediate plans to complete any further exploration on this property.

The Company is committed to the health and safety of our workers and communities, the protection of the environment, and to the rights, culture and development of the local communities in which it operates.

The Company is in the process of incorporating health, safety and environmental sustainability into all aspects and stages of its business, from corporate objectives to mine development, exploration and evaluation activities, day-to-day operations and site closure. The Company has created an Environmental, Social and Governance (“ESG”) Committee for the Board of Directors (the “ESG Committee”), which is currently developing a “Sustainable Development Policy” for the Company.

The Company is evaluating but has not adopted the requirements of the Mining Association of Canada’s industry leading Towards Sustainable Mining Initiative (the “TSM Initiative”), as well as the Global Reporting Initiative’s sustainability reporting guidelines for the mining industry (the “GRI Reporting Guidelines”). The TSM Initiative helps mining companies evaluate the quality, comprehensiveness and robustness of their management systems, tailings management, biodiversity management, health and safety, indigenous and community relations, prevention of child and forced labour, and water stewardship. The GRI Reporting Guidelines consist of principles for defining report content and ensuring the quality of reported information.

The Company’s exploration activities and mining and processing operations are subject to state, federal, provincial, territorial, regional and local environmental laws and regulations in the jurisdictions in which the Company’s activities and facilities are located. These include the requirements for planning and implementing the closure and reclamation of mining properties and related financial assurance.

As part of the advancement of the Molo Graphite Mine project, the Company completed a comprehensive Environmental and Social Impact Assessment (“ESIA”) in 2018, which was developed to local Madagascar (“Malagasy”), Equator Principles, World Bank and International Finance Corporation (“IFC”) standards.

On April 11, 2019, the Company announced it had received the Global Environmental Permit for the Molo Graphite Mine from the Madagascar Ministry of Environment’s Office National pour l’Environnement (the National Office for the Environment; or “ONE”). This follows the completion of the Environmental & Social Impact Assessment (“ESIA”) and Relocation Action Plan (“RAP”) to International Finance Corporation (IFC) performance standards and World Bank standards, the completion of local and regional stakeholder and community engagement, and the completion of negotiations and signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed.

8. 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 below in addition to the risk factors disclosed in our financial statements for the year ended June 30, 2021 and our most recent MD&A.

Any such risk factors could materially affect the Company’s business, financial condition and/or future operating results and prospects and could cause actual events to differ materially from those described in forward-looking statements and information relating to the Company. Additional risks and uncertainties not currently identified by the Company or that the Company currently believes not to be material also may materially and adversely affect the Company’s business, financial condition, operations or prospects.

Uncertainty due to the Covid-19 Pandemic

The impact of COVID-19 on the Company has been limited since it does not have any active exploration programs and construction activities related to the Molo Graphite Mine have mainly focused on the assembly of the processing plant off-shore by our EPC contractor. Certain of our directors, officers, employees, consultants, and contractors have been indirectly impacted by intermittent lockdowns that have been imposed in Canada, Madagascar, Mauritius and in South Africa.

The Company has tried to incorporate the impact COVID-19 outbreaks and intermittent lockdowns into the development plans for the Molo Graphite Mine. Notwithstanding, intermittent lockdowns have the potential to cause unforeseen delays in the plant assembly and delivery schedule, as well as with mine site works construction schedule. It is not possible for the Company to predict the duration or magnitude of adverse impacts from further outbreaks and predict the effects on the Company’s business or results of operations.

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, the Company or others related to the COVID-19 pandemic. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19

pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

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Inputs and assumptions relate to, among other things, interest rates, foreign exchange rates, cost of capital, commodity prices, and the amount and timing of future cash flows, while accounting judgments take into consideration the business and economic uncertainties related to the COVID-19 pandemic and the future response of governments, the Company and others to those uncertainties. In the current environment, the inputs and assumptions and judgements are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19 pandemic on various financial accounts and note disclosures and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments, estimates and assumptions includes the Company's valuation of the long-term assets (including the assessment for impairment and impairment reversal), estimation of reclamation provisions, estimation of mineral reserves and mineral resources, and estimation of income and mining taxes. Actual results may differ materially from these estimates.

Development projects are uncertain, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production.

Mine development projects, including the Molo Graphite Mine, require significant expenditures during the development phase before production is possible.

Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of capital mineral reserves, anticipated recoveries, environmental considerations and permitting, future commodity prices, and anticipated capital and operating costs of these projects. It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays can often occur at the start of production.

Particularly for development projects, mineral reserve estimates, sustaining costs and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of metals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from those currently estimated for a project prior to production.

Any of the following events, among others, could affect the profitability or economic feasibility of the Molo Graphite Mine: unanticipated changes in grade and tonnes of material to be mined and processed, unanticipated adverse geological conditions, unanticipated recovery problems, incorrect data on which engineering assumptions are made, availability and costs of labor, costs of processing, availability of economic sources of power, adequacy of water supply, availability of surface on which to locate processing facilities, adequate access to the site, unanticipated transportation costs, government regulations (including regulations with respect to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, environmental), fluctuations in commodity prices, accidents, labor actions, the availability and delivery of critical equipment, successful commissioning and start-up of operations, including the achievement of designed plant recovery rates and force-majeure events.

The Molo Graphite Mine has not yet been built and accordingly has no operating history upon which to base estimates of future production and cash operating costs. The price of graphite can fluctuate significantly on a month-to-month and year-to-year basis. Declining graphite prices can impact operations by forcing a reassessment of the feasibility of the Molo Graphite Mine.

It is likely that actual results for the Molo Graphite Mine will differ from current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or

unexpected conditions that could reduce production below, or increase capital or operating costs above, current estimates. If actual results are less favorable than currently estimated, the Company's business, results of operations, financial condition and liquidity could be materially adversely affected.

The Company's development and exploration projects are in the African country of Madagascar and are subject to country political and regulatory risks.

A new president of Madagascar was inaugurated in January 2019 following democratic elections. The Company is actively monitoring the political climate in Madagascar and continues to hold meetings with new representatives of the government and the Ministries in charge of mining. Depending on future actions taken by the newly elected government, or any future government, the Company's business operations could be impacted.

Companies in the mining and metals sector continue to be targeted to raise government revenue, particularly as governments struggle with deficits and concerns over the effects of depressed economies. Many governments are continually assessing the fiscal terms of the economic rent for mining companies to exploit resources in their countries.

The government of Madagascar has granted mining claims, permits, and licenses that will enable us to conduct anticipated operations or exploration and development activities. Notwithstanding, these arrangements, the Company's ability to conduct operations, exploration and/or development activities at any of its properties is subject to obtaining and/or renewing permits or concessions, changes in laws or government regulations or shifts in political attitudes beyond its control.

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Any adverse developments to the political and regulatory situation in Madagascar could have a material effect on the Company's business, results of operations and financial condition. The Company's operations may also be affected in varying degrees by terrorism; military conflict or repression; crime; populism; activism; labour unrest; attempts to renegotiate or nullify existing concessions, licenses, permits and contracts; unstable or unreliable legal systems; changes in fiscal regimes including taxation, and other risks arising out of sovereignty issues.

The Company does not currently carry political risk insurance covering its investments in Madagascar. It may not be possible for investors to enforce judgments in Canada against a loss suffered on the Company's assets and operations in Madagascar.

Economic dependence on the Molo Graphite Mine.

The Company's principal mineral property is the Molo Graphite Mine. As a result, unless the Company acquires or develops any additional material properties or projects, any adverse developments affecting this project or our rights to develop the Molo Graphite Mine could materially adversely affect the Company's business, financial condition and results of operations.

Additional permits and licenses are necessary to complete the development of the Molo Graphite Mine.

The Company successfully converted its exploration permit for the Molo Graphite Mine into a mining permit. However, the Company requires additional permits necessary to construct and operate the mine, including water use, construction, mineral processing, transportation, export, and labour. Applications for these additional permits and licenses will be undertaken in due course at the appropriate time.

The Company cannot provide any assurance as to the timing of the receipt of any of the additional permits and licenses necessary to initiate construction of the mine.

Fluctuations in the market price of graphite and other metals may adversely affect and the value of the Company's securities, revenue projections and the ability of the Company to develop Phase 2 of the Molo Graphite Mine.

The value of the Company's securities may be significantly affected by the market price of graphite and other metals, which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances. The Chinese market is a significant source of global demand for commodities, including graphite. Chinese demand has been a major driver in global commodities markets for a number of years and recent reductions in Chinese demand have adversely affected prices for graphite. A slowing in China's economic growth could result in even lower prices and could negatively impact the value of the Company's securities. Excess global supply of graphite could result in a decrease in the price of graphite and other metals, which could adversely impact the projected revenues from the Molo Graphite Mine. Prolonged decreases in the price of graphite or other metals could adversely impact the ability of the Company to proceed with the development of Phase 2 of the Molo Graphite Mine.

Estimates of mineral resources and mineral reserves may not be realized.

Mineral resource and mineral reserve estimates are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified mineral resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by mineral type. There can be no assurance that mineral recovery in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Actual recoveries may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. Material changes in mineral reserves or mineral resources, grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated mineral reserves and mineral resources should not be interpreted as assurances of mine life or of the profitability of future operations

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The Company may not have access to sufficient capital to develop Phase 2 of the Molo Graphite Mine and value-added processing facilities.

The Company has limited capital, which is sufficient to complete construction of Phase 1 of the Molo Graphite Mine but is insufficient to complete construction of Phase 2 of the Molo Graphite Mine and construction of value-added processing facilities. The Company ability to develop Phase 2 of the Molo Graphite Mine and value-added processing facilities will depend primarily on its ability to obtain additional capital in the form of private or public equity or debt financing. There is no assurance that the Company will secure sufficient financing, or the Company may be unable to locate and secure capital on terms and conditions that are acceptable to the Company. Any equity financing may have a dilutive effect on the value of the Company securities. Any debt financing, if available, may involve financial covenants which limit operations and could be secured against all of the Company's assets. If the Company cannot obtain additional capital, the Company may not be able to complete the development of Phase 2 of the Molo Graphite Mine and value-added processing facilities, which could have a material adverse effect on the business, operating results and financial condition of the Company.

The Company has a limited operating history and expects to incur operating losses for the foreseeable future.

The Company has principally operated as a mineral exploration company since incorporation and has just received its first mining permit. There are numerous difficulties normally encountered by mineral exploration and development companies, and these companies experience a high rate of failure.

The Company has not earned any revenues has not been profitable. It is anticipated that the Company will continue to report negative operating cash flow in future periods, likely until after the Molo Graphite Mine generates recurring revenues

from being placed into production of which there is no assurance. The Company has no history upon which to base any assumption as to the likelihood that the business will prove successful, and the Company can provide no assurance to investors that it will generate any operating revenues or ever achieve profitable operations.

Due to the speculative nature of mineral property exploration, there is substantial risk that the Company's assets will not go into commercial production and the business will fail.

Exploration for minerals is a speculative venture involving substantial risk. The Company cannot provide investors with any assurance that the Company's claims and properties will ever enter into commercial production. The exploration work that the Company has completed on the Molo Graphite Mine claims may not result in the commercial production of graphite. The exploration work that the Company has completed on the Green Giant Vanadium Project may not result in the commercial production of vanadium or other minerals.

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.

As a result of public concern about the real or perceived detrimental effects of economic globalization and global climate impacts, businesses generally, and large multinational corporations in natural resources industries, face increasing public scrutiny of their activities. These businesses are under pressure to demonstrate that, as they seek to generate satisfactory returns on investment to shareholders, other stakeholders, including employees, governments, communities surrounding operations and the countries in which they operate, benefit and will continue to benefit from their commercial activities. Such pressures tend to be particularly focused on companies whose activities are perceived to have a high impact on their social and physical environment. The potential consequences of these pressures include reputational damage, legal suits, increasing social investment obligations and pressure to increase taxes and royalties payable to governments and communities.

In addition, the Company's ability to successfully obtain key permits and approvals to explore for, develop and operate mines and to successfully operate in communities around the world will likely depend on the Company's ability to develop, operate and close mines in a manner that is consistent with the creation of social and economic benefits in the surrounding communities, which may or may not be required by law. The Company's ability to obtain permits and approvals and to successfully operate in particular communities may be adversely impacted by real or perceived detrimental events associated with the Company's activities or those of other mining companies affecting the environment, human health and safety of communities in which the Company operates. Delays in obtaining or failure to obtain government permits and approvals may adversely affect the Company's operations, including its ability to explore or develop properties, commence production or continue operations. Key permits and approvals may be revoked or suspended or may be varied in a manner that adversely affects the Company's operations, including its ability to explore or develop properties, commence production or continue operations.

The Company's business operations are subject to extensive laws and regulations governing worker health and safety and land use and the protection of the environment, which generally apply to air and water quality, protection of endangered, protected or other specified species, hazardous waste management and reclamation. The Company has made, and expect to make in the future, significant expenditures to comply with such laws and regulations. Compliance with these laws and regulations imposes substantial costs and burdens, and can cause delays in obtaining, or failure to obtain, government permits and approvals which may adversely impact the Company's closure processes and operations.

Because of the inherent dangers involved in mineral exploration, there is a risk that the Company may incur liability or damages as the Company conducts business.

The search for valuable minerals involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot, or may elect not, to insure against. The Company currently has no such insurance, but management intends to periodically review the availability of

commercially reasonable insurance coverage. If a hazard were to occur, the costs of rectifying the hazard may exceed the Company's asset value and cause us to liquidate all of its assets.

The Company's operations are subject to environmental regulations, which could result in additional costs and operational delays. Environmental legislation is evolving in a manner that may require stricter standards, and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that any future changes in environmental regulation will not negatively affect the Company's projects.

The Company has no insurance for environmental problems.

Insurance against environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production, has not been available generally in the mining industry. The Company has no insurance coverage for most environmental risks. In the event of a problem, the payment of environmental liabilities and costs would reduce the funds available to us for future operations. If the Company is unable to fully pay for the cost of remedying an environmental problem, the Company might be required to enter into an interim compliance measure pending completion of the required remedy.

Should the Company lose the services of key executives, the Company's financial condition and proposed expansion may be negatively impacted.

The Company depends on the continued contributions of the Company's executive officers to work effectively as a team, to execute its business strategy and to manage its business. The loss of key personnel, or their failure to work effectively, could have a material adverse effect on its business, financial condition, and results of operations. Specifically, the Company relies on Craig Scherba, the President and Chief Executive Officer and Marc Johnson, the Chief Financial Officer.

The Company does not maintain key man life insurance. Should the Company lose any or all of their services and the Company is unable to replace their services with equally competent and experienced personnel, the Company's operational goals and strategies may be adversely affected, which will negatively affect potential revenues.

Because access to the Company's properties may be restricted by inclement weather or proper infrastructure, its exploration programs are likely to experience delays.

Access to most of the properties underlying the Company's claims and interests is restricted due to their remote locations and because of weather conditions. Some of the Company's properties are only accessible by air. As a result, any attempts to visit, test, or explore the property are generally limited to those periods when weather permits such activities. These limitations can result in significant delays in exploration efforts, as well as mining and production efforts in the event that commercial amounts of minerals are found. This could cause the Company's business to fail.

Climate change and related regulatory responses may impact the Company's business.

Climate change as a result of emissions of greenhouse gases is a current topic of discussion and may generate government regulatory responses in the near future. It is impracticable to predict with any certainty the impact of climate change on the Company's business or the regulatory responses to it, although the Company recognizes that they could be significant. However, it is too soon for us to predict with any certainty the ultimate impact, either directionally or quantitatively, of climate change and related regulatory responses.

To the extent that climate change increases the risk of natural disasters or other disruptive events in the areas in which the Company operates, the Company could be harmed. While the Company maintains rudimentary business recovery plans that are intended to allow us to recover from natural disasters or other events that can be disruptive to the Company's business, its plans may not fully protect us from all such disasters or events.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for management.

The Company's management team needs to devote significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

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Tax risks.

Changes in tax laws or tax rulings could materially affect the Company's financial position and results of operations. Changes to, or differing interpretations of, taxation laws or regulations in Canada, Madagascar, the United States of America, or any of the countries in which the Company's assets or relevant contracting parties are located could result in some or all of the Company's profits being subject to additional taxation or other tax liabilities being applicable to the Company or its subsidiaries. Taxation laws are complex, subject to differing interpretations and applications by the relevant tax authorities. In particular, the tax treatment relating to the Company's corporate redomicile from the US to Canada is complex. There is no assurance that new taxation rules or accounting policies will not be enacted or that existing rules will not be applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on profitability, results of operations, financial condition and the trading price of the Company's securities. Additionally, the introduction of new tax rules or accounting policies, or changes to, or differing interpretations of, or application of, existing tax rules or accounting policies could make investments in or by the Company less attractive to counterparties. Such changes could adversely affect the Company's ability to raise additional funding or make future investments.

Because from time to time the Company holds a significant portion of cash reserves in Canadian dollars, the Company may experience losses due to foreign exchange translations.

From time to time the Company holds a significant portion of cash reserves in Canadian dollars. Due to foreign exchange rate fluctuations, the value of these Canadian dollar reserves can result in translation gains or losses in U.S. dollar terms. If there was a significant decline in the Canadian dollar versus the U.S. dollar, the Company's converted Canadian dollar cash balances presented in U.S. dollars on its balance sheet would significantly decline. If the US dollar significantly declines relative to the Canadian dollar the Company's quoted US dollar cash position would significantly decline as it would be more expensive in US dollar terms to pay Canadian dollar expenses. The Company has not entered into derivative instruments to offset the impact of foreign exchange fluctuations. In addition, certain of the Company's ongoing expenditures are in South African Rand, Madagascar Ariary and Euros requiring us to occasionally hold reserves of these foreign currencies with a similar risk of foreign exchange currency translation losses.

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 operates in certain jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. Anti-corruption and anti-bribery laws in certain jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. The Company's corporate policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. There can be no assurance that the Company's internal control policies and procedures always will protect it from recklessness, fraudulent behavior, dishonesty or other inappropriate acts committed by the Company's affiliates, employees or agents. As such, the Company's corporate policies and processes may not prevent all potential breaches of law or other governance practices. Violations of these laws, or allegations of such violations, could lead to civil and criminal fines and penalties, litigation, and loss of operating licenses or permits, and may damage the Company's reputation, which could have a material adverse effect on its business, financial position and results of operations or cause the market value of the Common Shares to decline.

The Company is exposed to general economic conditions, which could have a material adverse impact on its business, operating results and financial condition.

Recently there have been adverse conditions and uncertainty in the global economy as the result of unstable global financial and credit markets, inflation, and recession. These unfavorable economic conditions and the weakness of the credit market may continue to have, an impact on the Company's business and the Company's financial condition. The current global macroeconomic environment may affect the Company's ability to access the capital markets may be severely restricted at a time when the Company wishes or needs to access such markets, which could have a materially adverse impact on the Company's flexibility to react to changing economic and business conditions or carry on operations.

The market price for 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 market price for the Common Shares is characterized by significant price volatility when compared to seasoned issuers, and the Company expects that its share price will continue to be more volatile than a seasoned issuer. Such volatility is attributable to a number of factors. First, the Common Shares, at times, are thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of Common Shares by shareholders may disproportionately influence the price of those Common Shares in either direction. The price for the Common Shares could, for example, decline precipitously in the event that a large number of Common Shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Second, the Company is a speculative or "risky" investment due to the Company's limited operating history, lack of profits to date and uncertainty of future market acceptance for the Company's potential products. As a consequence, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond the Company's control and may decrease the market price of the Common Shares, regardless of the Company's performance. The Company cannot make any predictions as to what the prevailing market price for the Common Shares will be at any time or as to what effect that the sale of Common Shares or the availability of Common Shares for sale at any time will have on the prevailing market price.

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Securities of small-cap and mid-cap companies have experienced substantial volatility in the recent past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in graphite prices and demand, the U.S. dollar, the Malagasy ariary, the Canadian dollar, and the Company's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Company that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in its securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause its securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

The Company does not intend to pay dividends in the foreseeable future.

The Company does not anticipate paying cash dividends in the foreseeable future. The Company may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, the Company may nevertheless decide, in its sole discretion, not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of the Company's operations, cash flows and financial condition, operating and capital requirements, and other factors the board of directors may consider relevant. There is no assurance that the Company will pay any dividends in the future, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

9. DIVIDENDS AND DISTRIBUTIONS

The Company does not pay dividends and is unlikely to do so in the immediate or foreseeable future.

10. DESCRIPTION OF THE CAPITAL STRUCTURE

The Company's common shares trade on the Toronto Stock Exchange (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.

On May 20, 2021, the Company gave effect to a 1 for 10 consolidation of its common shares and all outstanding warrants, stock options and restricted share units. All of the per share amounts in the consolidated financial statements and this MD&A have been restated to give effect to the share consolidation on a retroactive basis.

As of June 30, 2021, the Company had:

- 98,184,260 common shares issued and outstanding (June 30, 2020: 53,649,481).
- 25,904,122 common share purchase warrants outstanding (June 30, 2020: 2,519,157) with a weighted average expiration of 1.77 years (June 30, 2020: 0.82 years), which are exercisable into 25,904,122 (June 30, 2020: 2,519,157) common shares at a weighted average exercise price of USD\$0.78 (June 30, 2020: USD\$0.70). All outstanding warrants vested on their respective issue dates.
- 2,780,000 stock options outstanding (June 30, 2020: 3,625,001) with a weighted average expiration of 2.15 years (June 30, 2020: 2.28), which are exercisable into 2,780,000 common shares (June 30, 2020: 3,625,001) at a weighted average exercise price of USD\$1.73 (June 30, 2020: USD\$0.67). All the outstanding stock options vested on their respective grant dates.
- 475,000 RSUs issued and outstanding (June 30, 2020: Nil) with a weighted average expiration of 1.40 years (June 30, 2020: nil) which entitle the holders to receive 475,000 common shares (June 30, 2020: nil) for no additional consideration subject to satisfying the vesting conditions.

On September 23, 2021, a total of 211,112 warrants priced at CAD\$0.90 were exercised into 211,112 common shares for gross proceeds of \$150,100.

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The following table sets out the maximum number of common shares that would be outstanding if all dilutive instruments outstanding as of the date of this AIF were exercised:

Common Shares Outstanding	98,395,372
Warrants	25,693,010
Stock options	2,780,000
Restricted Share Units (RSUs)	475,000
Fully Diluted Common Shares	<u>127,343,382</u>

11. MARKET FOR SECURITIES

Trading Price and Volume

The table below sets forth the high and low closing sale prices and volume of our common shares on the TSX for each month of the most recently completed financial year. Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

On May 20, 2021, the Company gave effect to a 1 for 10 consolidation of its common shares and all outstanding warrants, stock options and restricted share units. All of the per share amounts in the consolidated financial statements and this AIF have been restated to give effect to the share consolidation on a retroactive basis.

Month	TSX (in CAD\$)		
	High	Low	Volume

July 2020	\$ 0.45	\$ 0.35	6,460,190
August 2020	\$ 0.45	\$ 0.35	8,804,055
September 2020	\$ 0.45	\$ 0.30	8,076,020
October 2020	\$ 0.80	\$ 0.40	24,613,975
November 2020	\$ 0.70	\$ 0.45	19,512,910
December 2020	\$ 0.95	\$ 0.55	30,634,241
January 2021	\$ 1.20	\$ 0.65	24,500,761
February 2021	\$ 5.30	\$ 0.85	136,272,384
March 2021	\$ 4.10	\$ 2.70	38,001,727
April 2021	\$ 3.40	\$ 3.20	37,380,910
May 2021	\$ 4.01	\$ 3.65	14,214,423
June 2021	\$ 3.66	\$ 2.51	2,337,397

12. PRIOR SALES

The following table summarizes the issuance of unlisted securities of the Company during the year ended June 30, 2021.

Date of Issuance	Number/Type of Security	Issue/Exercise Price per Security
July 2, 2020	3,078,941 warrants	CAD\$0.65 ⁽¹⁾
May 19, 2021	23,214,286 warrants	CAD\$1.00 ⁽²⁾
March 19, 2021	1,300,000 stock options	CAD\$3.60 ⁽³⁾
December 19, 2020	172,481 restricted share units	\$Nil ⁽⁴⁾
December 19, 2020	172,481 restricted share units	\$Nil ⁽⁵⁾
December 19, 2020	172,481 restricted share units	\$Nil ⁽⁶⁾
March 19, 2021	200,000 restricted share units	\$Nil ⁽⁷⁾
March 19, 2021	100,000 restricted share units	\$Nil ⁽⁸⁾
March 19, 2021	25,000 restricted share units	\$Nil ⁽⁹⁾
March 19, 2021	150,000 restricted share units	\$Nil ⁽¹⁰⁾

(1): Expiring on July 2, 2021

(2): Expiring on May 19, 2022

(3): Expiring on March 19, 2024

(4): Expiring on February 16, 2021, which vested on February 7, 2021

(5): Expiring on August 16, 2021, which vested on February 7, 2021

(6): Expiring on February 16, 2021, which vested on February 7, 2021

(7): Expiring on June 30, 2023, which are subject to certain vesting conditions

(8): Expiring on December 31, 2022, which are subject to certain vesting conditions

(9): Expiring on December 31, 2022, which are subject to certain vesting conditions

(10): Expiring on December 31, 2021, which vested on May 17, 2021

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13. SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following table sets out information on the securities of the Company that are, to the knowledge of the Company, subject to a contractual restriction on transfer.

Designation of Class	Number of Securities that are subject	Percentage of class
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	to contractual restriction on transfer	
Common Shares	40,769,080	41.4% of outstanding common shares
Warrants	23,723,731	92.3% of outstanding warrants
Stock Options	1,480,000	53.2% of outstanding options
Total Shares, Warrants and Options	64,337,811 ⁽¹⁾⁽²⁾	51.8% of fully-diluted common shares

(1): In connection with the Financing Package, on February 7, 2021, certain members of management and the Board at such date (being Craig Scherba, Marc Johnson, Brent Nykoliation, Robin Borley, Brett Whalen, Christopher Kruba, and David McNeely) entered into lock-in agreements whereby each individual cannot sell any of securities of the Company, except with the written consent of Vision Blue or according to the following schedule:

From February 7, 2021 to March 15, 2021: no sales were permitted

From March 16, 2021 to September 15, 2021: up to 20%

From September 16, 2021 to December 15, 2021: up to 40%

From December 16, 2021 to March 15, 2022: up to 60%

Thereafter: no restrictions

(2) In connection with the Financing Package, on February 7, 2021, Vision Blue entered into a lock-in agreement whereby Vision Blue cannot sell any of securities of the Company, except with the written consent of the Company or according to schedule noted above, on a partially-diluted basis.

14. DIRECTORS AND OFFICERS

The following are the directors and officers of the Company.

Name	Company Position	Principal Occupation ⁽¹⁾	Director Since	# and % of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly ⁽²⁾
Sir Mick Davis (London, UK)	Chair of the Board of Directors	CEO of Vision Blue Resources Limited	March 2021	35,214,286 (7) (35.8%)
Craig Scherba ⁽⁶⁾ (Oakville, ON, Canada)	Director, and President & Chief Executive Officer		January 2010	204,000 (0.2%)
Brett Whalen ⁽³⁾ (Markham, ON, Canada)	Director	Professional investor	July 2020	650,000 (0.7%)
Robin Borley ⁽⁶⁾ (Johannesburg, South Africa)	Director, and Chief Operating Officer		December 2013	831,785 (0.8%)
Christopher Kruba ⁽³⁾⁽⁴⁾⁽⁵⁾ (Windsor, ON, Canada)	Director	Vice-President and Senior Counsel of Nostrum Capital Corporation	December 2020	290,000 (0.3%)
Ian Pearce ⁽³⁾⁽⁶⁾ (Toronto, ON, Canada)	Director	Chair of the Board of Directors of Newgold Inc., Director of Nexa Resources, Northland Power Inc., and Metso Outotec	July 2021	Nil (0.0%)
Marc Johnson (Toronto, ON, Canada)	Chief Financial Officer			208,834 (0.2%)
Brent Nykoliation (Toronto, ON, Canada)	SVP Corporate Development			210,175 (0.2%)

- (1) Other than Company Position as described by the respective individual.
- (2) The number of securities beneficially owned or controlled or directed, directly or not directly, is not within the knowledge of the Company and has been furnished by the respective individual.
- (3) Ian Pearce, Brett Whalen, and Christopher Kruba are independent directors of the Company.
- (4) Members of the Audit Committee are Christopher Kruba (Chair), Brett Whalen, and Ian Pearce.
- (5) Members of the Governance Committee are Brett Whalen (Chair), Christopher Kruba, and Ian Pearce.
- (6) Members of the ESG Committee are Ian Pearce (Chair), Craig Scherba and Robin Borley.
- (7) These represent the common shares owned by Vision Blue Resources Limited.

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Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No directors or executive officers of the Company: (i) is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that (a) was subject to a cease trade order; an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “Order”) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (ii) is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (iii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

As at the date hereof, No directors or executive officers of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Stockholder in deciding whether to vote for a proposed director.

Conflicts of Interest

To the best of our knowledge, and other than as disclosed below, there are no known existing or potential conflicts of interest between us and any of our directors or officers, except that certain of the directors and officers serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of NextSource and their duties as a director or officer of such other companies.

The Chair of the Board of Directors, Sir Mick Davis, is also the CEO of Vision Blue Resources Limited (“Vision Blue”), which owns 36.8% of the outstanding and issued common shares of the Company and 46.0% of the common shares on a fully diluted basis. Vision Blue also owns a royalty on the Molo Graphite Mine and on the Green Giant Vanadium Project. Vision Blue was also granted certain other rights in relation to the Investment Agreement announced on February 8, 2021, as described in *Interest of Management and Others in Material Transactions*.

15. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not currently involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no regulatory action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, securities commissions, self-regulatory organization or body pending or, to

the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our Company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

16. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, with the exception of what is provided herein, no director, executive officer, or person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Company, or an associate or affiliate of any of the foregoing, have had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this Annual Information Form that has materially affected or is reasonably expected to materially affect the Company or its subsidiaries.

NEXTSOURCE MATERIALS INC. ANNUAL INFORMATION FORM For the year ended June 30, 2021

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue to provide the Financing Package for total gross proceeds of USD\$29.5M. As of the date of this AIF, Vision Blue is the beneficial owner of 35,214,286 common shares representing 35.8% of the issued and outstanding common shares of the Company. Vision Blue is also the beneficial owner of 23,214,286 common share purchase warrants each exercisable at a price of CAD\$1.00 (approximately USD\$0.80) until May 19, 2023. If all outstanding warrants, stock options and restricted share units were exercised, Vision Blue would be the beneficial owner of 58,578,572 common shares representing 46.0% of the fully diluted common shares of the Company. The Chairman of Vision Blue, Sir Mick Davis, was appointed as Chair of the Board of Directors of the Company on March 15, 2021. The second Vision Blue appointee, Ian Pearce, was appointed to the Board of Directors of the Company on July 14, 2021.

17. TRANSFER AGENT AND REGISTRAR

The Company's principal transfer agent and registrar for our common shares is TSX Trust Company and its principal offices are in Toronto, Canada.

18. MATERIAL CONTRACTS

The following lists material contracts that were entered into outside the normal course of business during the most recently completed fiscal year or before the last fiscal year that is still in effect:

- a) The *Investment Agreement* dated February 7, 2021, between Vision Blue Resources Limited and the Company.
- b) The *Royalty Agreement Relating to the Molo Graphite and Vanadium Project* dated February 8, 2021, between Vision Blue Resources Limited as royalty holder, NextSource Graphite (Mauritius) Ltd., as graphite grantor, NextSource Minerals (Mauritius) Ltd. as vanadium grantor, and NextSource Materials Inc., ERG (Madagascar) SARLU, NextSource Minerals (Madagascar) and NextSource Materials (Mauritius) Ltd. as guarantors.

19. INTEREST OF EXPERTS

Craig Scherba, P.Geo., the Company's President and Chief Executive Officer is the Qualified Person, as defined by NI 43-101, and has reviewed and approved the scientific and technical information disclosed in this Annual Information Form. See "*Directors and Officers*"

Johann Knipe de Bruin, Pr. Eng, has acted as a qualified person on the Molo Feasibility Study and has reviewed and approved the information related to the Molo Feasibility Study in this Annual Information Form. Johann Knipe de Bruin, Pr. Eng, is independent of the Company in accordance with NI 43-101. As at the date hereof, Johann Knipe de Bruin hold less than one percent of the Company's outstanding securities.

MNP LLP (“MNP”) was engaged to audit our consolidated financial statements and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

20. AUDIT COMMITTEE

Audit Committee

The members of the Audit Committee are Christopher Kruba (Chair), Brett Whalen, and Ian Pearce. Each member is independent and is financially literate.

Relevant Education and Experience

Christopher Kruba is Vice-President and Counsel to Nostrum Capital Corporation and a number of related corporations that are part of the Toldo Group. The Toldo Group is headquartered in Windsor, Ontario and is composed of several privately held corporations in Canada and the United States, some of which manufacture and operate in diversified sectors and others which are involved in active and passive investments across capital markets throughout North America, Europe and Africa. In addition to his responsibilities as counsel to the Toldo Group Mr. Kruba serves as corporate secretary to all the companies, is a member of group’s investment committee and he serves on the board of directors of many of the companies. In his roles Mr. Kruba is involved in capital market decisions, he has lead mergers and acquisitions and he has participated in the management and strategic planning for numerous companies, including venture capital corporations in which the group has invested. Prior to joining the Toldo Group in 2000 Mr. Kruba articulated with and practiced at the law firm of Gignac, Sutts LLP in Windsor, Ontario. Mr. Kruba graduated from the University of Windsor’s Faculty of Law in 1998 and has been a Member of the Law Society of Ontario since 1999. Nostrum Capital Corporation and Mr. Kruba personally have been investors in NextSource Materials Inc. since 2011.

NEXTSOURCE MATERIALS INC. ANNUAL INFORMATION FORM For the year ended June 30, 2021

Brett Whalen has been a director since July 2020 and was appointed as Chair of the Board of Directors from July 2020 until March 2021. Mr. Whalen has over 20 years of investment banking and M&A expertise, spending over 16 of those years at Dundee Corporation (Dundee Corp.). During his tenure at Dundee Corp., Mr. Whalen was directly involved in completing approximately \$2 billion in M&A deals and helped raise over \$10 billion dollars in capital to the resource sector. Mr. Whalen became Vice President and Portfolio Manager of Goldman and Company (a division of Dundee) and was President and CEO of the CMP Group of Companies. Mr. Whalen has held Board seats of several TSX-listed and privately held companies and holds a BA (Honours) degree in Economics and Finance from Wilfrid Laurier University.

Ian Pearce is a Corporate Director with over 40 years of professional experience in the global metallurgy and mining related industries. Mr. Pearce held executive roles at Falconbridge Limited, including Chief Operating Officer and subsequently served as Chief Executive Officer of Xstrata Nickel, a subsidiary of Xstrata plc. He has also held senior engineering and project management roles managing numerous significant development projects in the mining extractives sector. Mr. Pearce currently is a Director of New Gold Inc, where he is Chair of the Board, Director of Metso Outotec Corporation and Director of Northland Power Inc. Mr. Pearce holds a Higher National Diploma in Engineering (Mineral Processing) and a Bachelor of Science degree from the University of the Witwatersrand in South Africa.

Audit Committee Charter

The Charter of the Audit Committee is set out below.

GENERAL AND AUTHORITY

The Board of Directors of NextSource appoints the Audit Committee. The Committee is a key component of the Company’s commitment to maintaining a higher standard of corporate responsibility. The Committee shall review the Company’s financial reports, internal control systems, the management of financial risks and the external audit process. It has the authority to conduct any investigation appropriate to its responsibilities. The Committee has the authority to: engage independent counsel and other advisors as it necessary to carry out its duties; set and pay the

compensation for advisors employed by the Committee; and communicate directly with the internal and external auditors.

RESPONSIBILITIES

Overseeing the External Audit Process - The Committee shall recommend to the Board the external auditor to be nominated, shall set the compensation for the external auditor and shall ensure that the external auditor reports directly to the Committee. (b) The Committee shall be directly responsible for overseeing the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting. (c) The Committee shall review the external auditor's audit plan, including scope, procedures and timing of the audit. (d) The Committee shall pre-approve all non-audit services to be provided by the external auditor. (e) The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employers of the present and former external auditor. (f) The Committee shall review fees paid by the Company to the external auditor and other professionals in respect of audit and non-audit services on an annual basis.

Financial Reporting and Internal Controls - (a) The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with generally accepted accounting principles, that the information contained therein is not erroneous, misleading or incomplete and that the audit function has been effectively carried out. (b) The Committee shall report to the Board with respect to its review of the annual audited financial statements and recommend to the Board whether or not same should be approved prior to their being publicly disclosed. (c) The Committee shall review the Company's annual and interim financial statements, management's discussion and analysis relating to annual and interim financial statements, and earnings press releases prior to any of the foregoing being publicly disclosed by the Company. (d) The Committee shall satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements other than the disclosure referred to in Section 3.2(c) of this Charter, and periodically assess the adequacy of these procedures. (e) The Committee shall oversee any investigations of alleged fraud and illegality relating to the Company's finances. (f) The Committee shall establish procedures for: (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (2) the confidential, anonymous submission by employees of the Company or concerns regarding questionable accounting or auditing matters. (g) The Committee shall meet no less frequently than annually with the external auditor and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Company in charge of financial matters, to review accounting practices, internal controls, auditing matters and such other matters as the Committee deems appropriate.

Risk Management - The Committee shall inquire of management and the external auditor regarding significant risks or exposures to which the Company may be subject, and shall assess the adequacy of the steps management has taken to minimize such risks.

Other Responsibilities - The Committee shall perform any other responsibilities consistent with this Charter and any applicable laws as the Committee or Board deems appropriate.

NEXTSOURCE MATERIALS INC.
ANNUAL INFORMATION FORM
For the year ended June 30, 2021

COMPOSITION AND MEETINGS

Composition - (a) The Committee shall be composed of three or more directors, all of whom are independent as per the independence standards of the NYSE MKT in the United States of America and as per the standards of NI 58-101 in Canada (each are independent directors as they do not have involvement in the day-to-day operations of the Company). (b) If at any time, the Company ceases to be exempt from Part 3 of National Instrument 52-110 - Audit Committees, every audit committee member shall be Independent, as such term is defined in said Instrument. (c) Notwithstanding Sections 4.1(a) and 4.1(b) of this Charter, the Committee and its membership shall at all times be so constituted as to meet all current, applicable legal, regulatory and listing requirements, including, without

limitation, securities laws and the requirements of the TSX and of all applicable securities regulatory authorities. (d) Committee members will be appointed by the Board. One member shall be designated by the Board to serve as Chair.

Meetings - (a) The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or are required. A minimum of two and at least 50% of the members present in person or by telephone shall constitute a quorum. For quorum to exist, the majority of members' present must not be Company' employees, Control Persons or officers or any of its Associates or Affiliates, (capitalized terms as defined by the TSX). (b) If a vacancy in the Committee exists, the remaining members may exercise all of its powers and responsibilities provided that a quorum (as herein defined) remains in office. (c) The time and place at which meetings of the Committee shall be held, and the procedures at such meetings, shall be determined by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile or electronic means, by giving 48 hours' notice, or such greater notice as may be required under the Company's By-Laws, provided that no notice shall be necessary if all the members are present either in person or by telephone or if those absent have waived notice. (d) The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person, who need not be a member, to act as a secretary at any meeting. (e) The Committee may invite such officers, directors and employees of the Company as it deems appropriate, from time to time, to attend meetings of the Committee. Any matters to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all members of the Committee, and such actions shall be effective as though they had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.

REPORTING TO THE BOARD

The Committee shall report regularly to the Board on Committee activities, findings and recommendations. The Committee is responsible for ensuring that the Board is aware of any matter that may have a significant impact on the financial condition or affairs of the Company.

CONTINUED REVIEW OF CHARTER

The Committee shall review and assess the continued adequacy of this Charter annually and submit such proposed amendments as the Committee sees fit to the Board for its consideration.

Pre-Approval Policies and Procedures

MNP LLP has served as auditor for the fiscal year ended June 30, 2021.

The Audit Committee reviews and must approve all engagement agreements with external auditors. During the years ended June 30, 2021, the Audit Committee pre-approved all of the fees invoiced by MNP LLP.

External Auditor Service Fees

	Year-ended June 30, 2021	Year-ended June 30, 2020
Audit Fees ⁽¹⁾	\$ 46,010	\$ 43,870
Audit-Related Fees ⁽²⁾	\$ Nil	\$ Nil
Tax Fees ⁽³⁾	\$ 12,412	\$ 20,170
All Other Fees ⁽⁴⁾	\$ Nil	\$ Nil

(1): *Audit Fees* is the aggregate fees billed by the issuer's external auditor in each of the last two fiscal years for audit services.

(2): *Audit-Related Fees* is the aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under *Audit Fees*.

(3): *Tax Fees* is the aggregate fees billed in each of the last two fiscal years for professional services rendered by the issuer's external auditor for tax compliance, tax advice, and tax planning.

(4): *All Other Fees* is the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer's external auditor, other than the services reported under

21. ADDITIONAL INFORMATION

Additional information related to the Company is provided in the financial statements and management discussion and analysis (MD&A) for the most recently completed financial year.

Additional information, including the financial statements and management discussion and analysis (MD&A) for the most recently completed financial year, is available on SEDAR at www.sedar.com or on the Company website at www.nextsourcematerials.com.

**Audited Consolidated Financial Statements**

For the years ended June 30, 2021, and 2020

Expressed in US Dollars



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Shareholders of NextSource Materials Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of NextSource Materials Inc. (the Company) as of June 30, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2021 and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2021 and 2020, and the results of its consolidated operations and its consolidated cash flows for each of the years in the three-year period ended June 30, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Critical Audit Matter Description

Audit Response

Going Concern – Presentation and Disclosure

The Company has \$22,437,086 of cash and cash equivalents as of June 30, 2021; however, the Company also has a number of commitments with respect to the construction of the Molo Graphite plant in the next 12 months. Significant assumptions and judgements on cash flow projections were made by management in estimating future cash flows. The going concern assessment is dependent on management's forecasted expenditures, which are subject to high degree of judgement and uncertainty. Refer to Note 2 Basis of Presentation.

We responded to this matter by performing audit procedures in relation to the assessment of the ability of the Company to continue as a going concern. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the impact of the Company's existing financial arrangements and conditions in relation to the ability to continue as a going concern.
- Obtained an understanding from management about the Company's future plans for operations, including financing arrangements.
- Evaluated the assumptions and estimates on cashflow projections used in management's forecast, incorporating information established from our understanding above and any materialized arrangements subsequent to the period end.
- Assessed the appropriateness of the related disclosures.

Derivative Warrant Liabilities - Valuation

The Company had a derivative warrant liability of \$45,380,933 as at June 30, 2021, which was required to be fair valued at each period end. The calculation of the fair value of the warrant liability requires management to use an appropriate valuation model and assumptions on volatility rate and life of the warrants as inputs into the model. Due to the estimates and assumptions involved in the determination of the inputs into the model and the fair value, we consider this to be a critical audit matter. Refer to Note 3 Significant Accounting Policies - Significant Accounting Estimates, Judgments and Assumptions and Note 11 Warrant Derivative Liabilities.

We responded to this matter by performing audit procedures in relation to the derivative warrant liabilities. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained evidence of the issuance including financing documents, warrant certificates and the terms of the warrants.
- Assessed the mathematical accuracy of management's valuation models and assessed the appropriateness of the assumptions, including volatility rate and life of the warrants, used in the models.
- Assessed the appropriateness of the related disclosures.

Royalty Liability - Valuation

The Company has a \$6,330,721 liability balance with respect to funds received from a royalty agreement. As minimum payments are due regardless of production outcome, the royalty obligation has been assessed as a financial liability. The discount rate and repayment terms are significant inputs in determining the value of the liability. Due to the estimates and assumptions involved in the determination of the value, we consider this to be a critical audit matter. Refer to Note 10 Royalty Obligation.

We responded to this matter by performing audit procedures in relation to the royalty liability. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained the underlying agreement to support repayment and agreement terms.
- Assessed the mathematical accuracy of valuation calculation and engaged our internal valuation experts to assess the appropriateness of the assumptions, including the discount rate used.
- Assessed the appropriateness of the related disclosures.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

We have served as the Company's auditor since 2012.

Mississauga, Canada

September 28, 2021

MNP

NextSource Materials Inc. Consolidated Statements of Financial Position (Expressed in US Dollars)

	As at June 30, 2021	As at June 30, 2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 22,437,086	\$ 222,305
Amounts receivable (note 17)	92,370	7,539
Prepaid expenses (note 17)	52,974	25,484
Total Current Assets	22,582,430	255,328
Property, plant and equipment (note 7)	4,337,161	18,111
Total Assets	\$ 26,919,591	\$ 273,439
Liabilities		
Current Liabilities:		
Accounts payable (note 17)	383,428	323,876
Accrued liabilities (note 17)	221,692	370,449

Share subscriptions	-	68,411
Short term debt (note 8)	-	22,115
Current portion of lease obligations (note 9)	5,845	5,339
Fair value of warrant derivate financial liabilities (note 11)	45,380,933	208,768
Provisions (note 12)	738,022	174,418
Total Current Liabilities	46,729,920	1,173,376
Royalty obligation (note 10)	6,330,721	-
Lease obligations (note 9)	5,254	10,679
Total Liabilities	53,065,895	1,184,055
Shareholders' Equity (Deficit)		
Share capital (note 13)	120,491,932	103,901,775
Accumulated deficit	(146,893,550)	(104,933,066)
Accumulated other comprehensive income	255,314	120,675
Total Shareholders' Equity (Deficit)	(26,146,304)	(910,616)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 26,919,591	\$ 273,439

Nature of operations (note 1)
Basis of presentation (note 2)
Mineral development property (note 5)
Mineral exploration properties (note 6)

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

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

	Year ended June 30, 2021	Year ended June 30, 2020	Year ended June 30, 2019
Revenues	\$ -	\$ -	\$ -
Expenses and other income			
Mine development expenses (notes 5 and 16)	323,668	179,256	965,468
Exploration and evaluation expenses (notes 6 and 16)	46,815	66,110	137,926
General and administrative expenses (note 16 and 17)	1,396,801	1,114,087	1,533,515
Share-based compensation (note 17)	3,744,172	-	651,692
Amortization of plant and equipment (note 7)	6,592	6,053	-
Finance costs (note 9)	1,317	-	-
Foreign currency translation (gain) loss	101,252	3,552	(4,565)
Interest (income)	(104)	-	-
Interest expense	273	2,098	-
Flow through provision (gain)	(146,814)	-	-
Foreign taxes	92	772	-
Sub-total before other items	5,474,064	1,371,928	3,284,036
Government assistance	-	(7,353)	-
Change in value of warrant liability (note 11)	36,486,420	(386,940)	(73,532)
Net loss for the year	(41,960,484)	(977,635)	(3,210,504)

Other comprehensive income

<i>Items that will be reclassified subsequently to net loss</i>			
Translation adjustment for foreign operations	134,639	3,196	41,713
Net loss and comprehensive loss for the year	<u>\$ (41,825,845)</u>	<u>\$ (974,439)</u>	<u>\$ (3,168,791)</u>
Weighted-average common shares (basic and diluted)	66,654,804	52,720,608	49,358,647
Net loss per common shares (basic and diluted)	\$ (0.63)	\$ (0.02)	\$ (0.07)

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

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

	Common Shares	Share Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total (Deficit) Equity
Balance as at June 30, 2019	<u>50,741,704</u>	<u>\$103,172,066</u>	<u>\$(103,955,431)</u>	<u>\$ 117,479</u>	<u>\$ (665,886)</u>
Private placement of common shares	2,907,777	998,620	-	-	998,620
Cost of issue of common shares	-	(7,821)	-	-	(7,821)
Reclassification of equity to warrant liability	-	(261,090)	-	-	(261,090)
Net loss for the year	-	-	(977,635)	-	(977,635)
Cumulative translation adjustment	-	-	-	3,196	3,196
Balance as at June 30, 2020	<u>53,649,481</u>	<u>103,901,775</u>	<u>(104,933,066)</u>	<u>120,675</u>	<u>(910,616)</u>
Private placement of common shares	41,372,165	19,976,571	-	-	19,976,571
Cost of issue of common shares	-	(113,446)	-	-	(113,446)
Reclassification of equity to warrant liability	-	(12,921,861)	-	-	(12,921,861)
Reclassification of warrant liability to equity on exercise of warrants	-	4,236,116	-	-	4,236,116
Shares issued on exercise of warrants	1,842,997	1,108,200	-	-	1,108,200
Shares issued on exercise of stock options	802,174	560,406	-	-	560,406
Stock options granted under long-term incentive plan	-	2,777,403	-	-	2,777,403
Shares issued on conversion of restricted share units	517,443	-	-	-	-
Restricted share units granted under long-term incentive plan	-	966,768	-	-	966,768
Net loss for the year	-	-	(41,960,484)	-	(41,960,484)
Cumulative translation adjustment	-	-	-	134,639	134,639
Balance as at June 30, 2021	<u>98,184,260</u>	<u>\$120,491,932</u>	<u>\$(146,893,550)</u>	<u>\$ 255,314</u>	<u>\$(26,146,304)</u>

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

NextSource Materials Inc.
Consolidated Statements of Cash Flows
(Expressed in US Dollars)

Year ended Year ended Year ended

	June 30, 2021	June 30, 2020	June 30, 2019
Operating activities			
Net loss for the year	\$ (41,960,484)	\$ (977,635)	\$ (3,210,504)
<i>Add (deduct) items not affecting cash:</i>			
Amortization of plant and equipment	6,592	6,053	-
Change in value of warrant derivative liability	36,486,420	(386,940)	(73,532)
Share-based compensation (options)	3,744,172	-	651,692
Government assistance	-	(7,373)	-
Change in value of lease obligations	1,448	(3,337)	-
<i>Change in non-cash working capital balances:</i>			
(Increase) decrease in amounts receivable and prepaid expenses	(112,321)	51,049	(28,291)
Increase (decrease) in accounts payable and accrued liabilities	(89,205)	(69,692)	425,320
Increase (decrease) in provision	563,604	(6,234)	-
Increase (decrease) in share subscriptions received in advance	(68,411)	68,411	-
Net cash used in operating activities	<u>(1,428,185)</u>	<u>(1,325,698)</u>	<u>(2,235,315)</u>
Investing activities			
Additions to property, plant and equipment	(4,325,642)	-	-
Net cash used in investing activities	<u>(4,325,642)</u>	<u>-</u>	<u>-</u>
Financing activities			
Proceeds from issuance of common shares	19,976,571	998,620	2,444,015
Exercise of stock options	560,406	-	-
Exercise of warrants	1,108,200	-	-
Common share issue costs finder shares	-	-	17,966
Common share issue costs	(113,446)	(7,821)	(77,750)
Short term debt	(22,115)	29,486	-
Lease liability principal payments	(6,367)	(4,810)	-
Proceeds from royalty financing	6,330,721	-	-
Net cash provided by financing activities	<u>27,833,970</u>	<u>1,015,475</u>	<u>2,384,231</u>
Effect of exchange rate changes on cash and cash equivalents	134,638	3,197	41,713
Net increase (decrease) in cash and cash equivalents during the year	<u>22,214,781</u>	<u>(307,026)</u>	<u>190,629</u>
Cash and cash equivalents, beginning of year	222,305	529,331	338,702
Cash and cash equivalents, end of year	<u>\$ 22,437,086</u>	<u>\$ 222,305</u>	<u>\$ 529,331</u>

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

NextSource Materials Inc.

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

(Expressed in US Dollars)

1. Nature of Operations

NextSource Materials Inc. (the “Company” or “NextSource”) is principally engaged in the development of mineral resources and value-added processing of graphite into materials used in batteries and other technological applications.

NextSource was continued under the Canada Business Corporations Act from the State of Minnesota to Canada on December 27, 2017 and has a fiscal year end of June 30. The Company’s registered head office and primary location of records is 130 King Street West,

Exchange Tower, Suite 1940, Toronto, Ontario Canada, M5X 2A2. The Company's common shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "NEXT" and the OTCQB under the symbol "NSRCF".

The Company is currently constructing the first phase of its Molo Graphite Mine, located in Madagascar, and is evaluating the construction of a coated spheronized graphite plant, in a location to be determined, and is evaluating the Green Giant Vanadium Project, located in Madagascar. The Company does not currently operate any mines and has not completed the construction of any mines. No commercial revenue has been generated from any mineral resources. The Company does not pay dividends and is unlikely to do so in the immediate or foreseeable future.

These consolidated financial statements were approved by the Board of Directors of the Company (the "Board") on September 28, 2021.

2. Basis of Presentation

Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of measurement

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

Going Concern Assumption

As of June 30, 2021, the Company had cash and cash equivalents of \$22,437,086 which is expected to be sufficient to complete construction and commissioning of Phase 1 of the Molo Graphite Mine prior to June 30, 2022. As such, the Company believes it can continue as a going concern.

In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its exploration and development expenditures is not dependent on management's ability to secure additional financing. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

Basis of consolidation

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

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

NextSource Materials Inc.
Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020
(Expressed in US Dollars)

3. Summary of Significant Accounting Policies

Foreign currencies

The presentation and functional currency of the Company is the US dollar.

The Company has primarily expended its cash on international exploration projects and historically generated its equity funding in US dollars. The Company expects to sell graphite priced in US dollars once the Molo Graphite Mine achieves production. The Company office is located in Canada and the Company expends a portion of its payroll, professional and general and administrative costs in Canadian dollars, which are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used. The Company functional currency of the Mauritius subsidiaries is the United States dollar. The functional currency of the Madagascar subsidiaries is the Madagascar Ariary. Transfers of cash from the Company to its subsidiaries is typically completed using US dollars. All Ariary transactions are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used.

For the purpose of presenting consolidated financial statements, subsidiary company assets and liabilities are expressed in United States dollars using the prevailing exchange rates at the end of the reporting period. Any exchange differences that arise are recognized in other comprehensive income and cumulative translation adjustment in equity.

At the end of each reporting period, the Company translates foreign currency balances as follows:

- monetary items are translated at the closing rate in effect at the consolidated statement of financial position;
- non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured; and
- revenue and expense items are translated using the average exchange rate during the period.

The intercompany loans made to the subsidiary companies are considered part of the parent company's net investment in a foreign operation as the Company does not plan to settle these balances in the foreseeable future. As a result of this assessment, the unrealized foreign exchange gains and losses on the intercompany loans are recorded through comprehensive loss. If the Company determined that settlement of these amounts was planned or likely in the foreseeable future, the resultant foreign exchange gains and losses would be recorded through profit or loss.

The Company considers cash equivalents to be cash and highly liquid investments with original maturities of three months or less.

Prepayments and deposits

The Company makes prepayments and deposits to suppliers of services. These are recognized as prepayments when made and recognized as expenses when received. Prepayments and deposits on assets that are long term in nature are recorded as long-term prepayments and deposits.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial liabilities are derecognized when the obligation under the liability is extinguished, discharged, cancelled or expired. Gains and losses on derecognition of financial assets and financial liabilities are recognized within financing income and financing expense, respectively.

Management determines the classification of financial assets and financial liabilities at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and/or management's intent. Transaction costs with respect to instruments not classified as fair value through profit or loss are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

3. Summary of Significant Accounting Policies (continued)

The Company's financial instruments were classified in the following categories:

Financial assets measured at fair value through profit or loss (FVTPL):

An instrument is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. A financial asset is classified as fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so, designated by management. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Financial instruments included in this category are initially recognized at fair value and transaction costs are taken directly to earnings along with gains and losses arising from changes in fair value. All changes in their fair value are recorded through profit or loss.

The following financial assets are measured at fair value through profit or loss:

- Cash and cash equivalents

Financial assets measured at amortized cost:

Financial assets measured at amortized cost are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost. Interest revenue on advances and loans receivable are recognized using the effective interest method.

The following financial assets are measured at amortized cost:

- Amounts receivable (excluding sales taxes)

Impairment of financial assets measured at amortized costs:

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence that the estimated future cash flows of the financial asset or the group of financial assets have been negatively impacted. Evidence of impairment may include indications that debtors are experiencing financial difficulty, default or delinquency in interest or principal payments, or other observable data which indicates that there is a measurable decrease in the estimated future cash flows.

If an impairment loss has occurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in financing expense. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of financing income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If an impairment is later recovered, the recovery is credited to financing income.

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets. Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it expects to receive. This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets). Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk, whereby '12-month expected credit losses' are recognized ('Stage 1')
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low, whereby 'lifetime expected credit losses' are recognized ('Stage 2')
- financial assets that have objective evidence of impairment at the reporting date, whereby the asset is written off as there is no reasonable expectation of recovering all or any portion thereof ('Stage 3')

NextSource Materials Inc.
Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020
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3. Summary of Significant Accounting Policies (continued)

The Company applied the simplified approach in accounting for amounts receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the lifetime expected credit losses using a provision matrix.

For financial assets assessed as impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated as FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within accretion of deferred obligation, finance costs or finance income.

The following financial liabilities are measured at amortized cost:

- Accounts payable
- Accrued liabilities
- Provision
- Royalty obligation
- Short term debt

Financial liabilities measured at fair value through profit or loss:

Financial liabilities designated as FVTPL are initially recognized at fair value and transaction costs are taken directly to earnings along with gains and losses arising from changes in fair value. Derivative instruments, including embedded derivatives, are recorded at fair value unless exempted from derivative treatment as normal purchase and sale. All changes in their fair value are recorded through profit or loss.

The following financial liabilities are measured at fair value through profit or loss:

- Warrant derivative liability

Fair value measurement

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The binomial and Black Scholes valuation techniques are permitted under IFRS for fair value calculations.

As of June 30, 2021, and 2020, only cash and cash equivalents, which is a Level 1 financial instrument, and the warrant liability, which is a Level 3 financial instrument, are recorded at fair value on the consolidated statements of financial position.

Exploration and evaluation expenditures

Exploration and evaluation expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition.

NextSource Materials Inc.

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

(Expressed in US Dollars)

3. Summary of Significant Accounting Policies (continued)

Exploration and evaluation expenditures are expensed as incurred unless it can be demonstrated that the project will generate future economic benefit. When it is determined that a project can generate future economic benefit the costs are capitalized in the property, plant and mine development line item in the consolidated statements of financial position.

The exploration and evaluation phase ends when the technical feasibility and commercial viability of extracting the mineral is demonstrable.

Mine Development Expenditures

Mine development stage expenditures are costs incurred to obtain access to proven and probable mineral reserves or mineral resources and provide facilities for extracting, treating, gathering, transporting and storing the minerals. The development stage of a mine commences when the technical feasibility and commercial viability of extracting the mineral resource has been determined.

Costs that are directly attributable to mine development are capitalized to the extent that they are necessary to bring the property to commercial production. Abnormal costs are expensed as incurred. Indirect costs are included only if they can be directly attributed to the area of interest. General and administrative costs are capitalized as part of the development expenditures when the costs are directly attributed to a specific mining development project.

Revenue from flake graphite sales prior to the achievement of commercial production is deducted from capitalized mine development costs in the consolidated statements of financial position and is not included in revenue from mining operations.

Commercial Production

A mine construction project is considered to have entered the production stage when the mine construction assets are available for use. In determining whether mine construction assets are considered available for use, the criteria considered include, but are not limited to, the following:

- completion of a reasonable period of testing mine plant and equipment;
- ability to produce minerals in saleable form (within specifications); and
- ability to sustain ongoing production of minerals.

When a mine construction project moves into the production stage, amortization commences, the capitalization of certain mine construction costs ceases and expenditures are either capitalized to inventories or expensed as incurred. Exceptions include costs incurred for additions or improvements to property, plant, equipment, and mine development and for open-pit stripping activities.

Mining properties, plant and equipment

Mining Properties

The cost of mining properties includes the fair value attributable to proven and probable mineral reserves and mineral resources acquired in a business combination or asset acquisition, underground mine development costs, deferred stripping, capitalized exploration and evaluation costs and capitalized borrowing costs.

Significant payments related to the acquisition of land and mineral rights are capitalized as mining properties at cost. If a mineable ore body is discovered, such costs are amortized to income when commercial production commences, using the units-of-production method, based on estimated proven and probable mineral reserves and the mineral resources included in the current life of mine plan. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined that the property has no future economic value.

Assets Under Construction

Cost components of a specific project that are included in the capital cost of the asset include salaries and wages directly attributable to the project, supplies and materials used in the project, and incremental overhead costs that can be directly attributable to the project.

Assets under construction are not amortized until the earlier of the end of the construction period or once commercial production is achieved. Upon achieving the production stage, the capitalized construction costs are transferred to the appropriate category within property, plant, equipment and mine development.

NextSource Materials Inc.

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

(Expressed in US Dollars)

3. Summary of Significant Accounting Policies (continued)

Plant and Equipment

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. The cost of an item of plant and equipment includes: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and the estimate of the costs of dismantling and removing the item and restoring the site on which it is located other than costs that arise as a consequence of having used the item to produce inventories during the period.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations and comprehensive loss when the asset is derecognized.

Amortization of an asset begins when the asset is in the location and condition necessary for it to operate in the manner intended by management. Amortization ceases at the earlier of the date the asset is classified as held for sale or the date the asset is derecognized. Assets under construction are not amortized until the earlier of the end of the construction period or once commercial production is achieved. Amortization is charged according to either the units-of-production method or on a straight-line basis, according to the pattern in which the asset's future economic benefits are expected to be consumed. The amortization method applied to an asset is reviewed at least annually.

Useful lives of plant and equipment are based on the lesser of the estimated mine lives as determined by proven and probable mineral reserves and the mineral resources included in the current life of mine plan and the estimated useful life of the asset.

The following sets out the useful lives of certain assets:

- Exploration and evaluation equipment 3 to 5 years
- Office equipment 3 to 5 years
- Vehicles 5 years
- Right of use assets 4 years
- Processing plant 1 to 30 years

Deferred Stripping

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping.

During the development stage of the mine, stripping costs are capitalized as part of the cost of building, developing and constructing the mine and are amortized once the mine has entered the production stage.

During the production stage of a mine, stripping costs are recorded as a part of the cost of inventories unless these costs are expected to provide a future economic benefit and, in such cases, are capitalized to property, plant and mine development.

Production stage stripping costs provide a future economic benefit when:

- It is probable that the future economic benefit (e.g., improved access to the ore body) associated with the stripping activity will flow to the Company;
- The Company can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Capitalized production stage stripping costs are amortized over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Borrowing Costs

Borrowing costs are capitalized to qualifying assets. Qualifying assets are assets that take a substantial period of time to prepare for the Company's intended use, which includes projects that are in the exploration and evaluation, development or construction stages.

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance costs in the period in which they are incurred. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period.

3. Summary of Significant Accounting Policies (continued)

Impairment of long-lived assets

A Cash Generating Unit (“CGU”) is defined as the smallest identifiable group of assets that are able to generate cash inflows. If an active market exists for the output produced by an asset or group of assets, that asset or group of assets shall be identified as a CGU, even if some or all of the output is used internally. At the end of each reporting period the Company assesses whether there is any indication that long-lived assets other than goodwill may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the CGU level for the purpose of assessing the recoverable amount. An impairment loss is recognized for any excess of the carrying amount of the CGU over its recoverable amount. If the CGU includes goodwill, the impairment loss related to a CGU is first allocated to goodwill and the remaining loss is allocated on a pro-rata basis to the remaining long-lived assets of the CGU based on their carrying amounts. Impairment losses are recorded in the consolidated statements of operations and comprehensive loss in the period in which they occur.

Any impairment charge that is taken on a long-lived asset other than goodwill is reversed if there are subsequent changes in the estimates or significant assumptions that were used to recognize the impairment loss that result in an increase in the recoverable amount of the CGU. If an indicator of impairment reversal has been identified, the recoverable amount of the asset is calculated in order to determine if any impairment reversal is required. A recovery is recognized to the extent the recoverable amount of the asset exceeds its carrying amount. The amount of the reversal is limited to the difference between the current carrying amount and the amount which would have been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued. The impairment reversal is allocated on a pro-rata basis to the existing long-lived assets of the CGU based on their carrying amounts. Impairment reversals are recorded in the consolidated statements of operations and comprehensive loss in the period in which they occur.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether:

- The contract involves the use of an explicitly or implicitly identified asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract term;
- The Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e. the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company presents right-of-use assets in the plant and equipment line item on the consolidated statements of financial position and lease liabilities in the lease obligations line item on the consolidated statements of financial position.

Short-term leases and leases of low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and leases of low value assets are recognized as an expense in the consolidated statements of operations and comprehensive loss.

NextSource Materials Inc.
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3. Summary of Significant Accounting Policies (continued)

Reclamation provisions

Asset retirement obligations (“AROs”) arise from the acquisition, development and construction of mining properties and plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings closure and rehabilitation, demolition of buildings and mine facilities, ongoing water treatment and ongoing care and maintenance of closed mines. The Company recognizes an ARO at the time the environmental disturbance occurs or a constructive obligation is determined to exist based on the Company’s best estimate of the timing and amount of expected cash flows expected to be incurred. When the ARO provision is recognized, the corresponding cost is capitalized to the related item of property, plant and equipment. Reclamation provisions that result from disturbance in the land to extract ore in the current period is included in the cost of inventories.

The timing of the actual environmental remediation expenditures is dependent on a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a risk-free interest rate. AROs are adjusted each period to reflect the passage of time (accretion). Accretion expense is recorded in finance costs each period. Upon settlement of an ARO, the Company records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains or losses are recorded in the consolidated statements of operations and comprehensive loss.

Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are the construction of new processing facilities, changes in the quantities of material in mineral reserves and mineral resources and a corresponding change in the life of mine plan, changing ore characteristics that impact required environmental protection measures and related costs, changes in water quality that impact the extent of water treatment required and changes in laws and regulations governing the protection of the environment.

Each reporting period, provisions for AROs are remeasured to reflect any changes to significant assumptions, including the amount and timing of expected cash flows and risk-free interest rates. Changes to the reclamation provision resulting from changes in estimate are added to or deducted from the cost of the related asset, except where the reduction of the reclamation provision exceeds the carrying value of the related assets in which case the asset is reduced to nil and the remaining adjustment is recognized in the consolidated statements of operations and comprehensive loss.

Environmental remediation liabilities (“ERLs”) are differentiated from AROs in that ERLs do not arise from environmental contamination in the normal operation of a long-lived asset or from a legal or constructive obligation to treat environmental contamination resulting from the acquisition, construction or development of a long-lived asset. The Company is required to recognize a liability for obligations associated with ERLs arising from past acts. ERLs are measured by discounting the expected related cash flows using a risk-free interest rate. The Company prepares estimates of the timing and amount of expected cash flows when an ERL is incurred. Each reporting period, the Company assesses cost estimates and other assumptions used in the valuation of ERLs to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the value of the ERLs. Any change in the value of ERLs results in a corresponding charge or credit to the consolidated statements of operations and

comprehensive loss. Upon settlement of an ERL, the Company records a gain or loss if the actual cost differs from the carrying amount of the ERLs in the consolidated statements of operations and comprehensive loss.

The Company's operations are subject to environmental regulations in Madagascar. As at the date of these financial statements, the Company did not have any environmental rehabilitation obligations (ERLs) and had no asset retirement obligations (AROs).

Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as financing expense. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

Warrant liabilities

The Company issued share purchase warrants with an exercise price denominated in a currency other than its functional currency. As a result, the warrants are no longer considered solely indexed to the Company's common shares and are classified as financial liabilities and recorded at the estimated fair value at each reporting date using the Black Scholes valuation model and Level 3 inputs on the financial instrument hierarchy. The Company records the change in fair value of the warrant liability as a component of other income and expense on the consolidated statement of operations and comprehensive loss.

NextSource Materials Inc.
Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020
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3. Summary of Significant Accounting Policies (continued)

Share-based compensation

The Company offers equity-settled awards (the Long Term Incentive Plan "LTIP") to certain employees, officers and directors of the Company.

Stock options

The Company's LTIP provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to the market price on the day prior to the date of grant. The fair value of these options is recognized in the consolidated statements of operations and comprehensive loss or in the consolidated statements of financial position if capitalized as part of property, plant and mine development over the applicable vesting period as a compensation cost. Any consideration paid by employees on exercise of options or purchase of common shares is credited to share capital.

The fair value of share-based compensation is determined at the date of grant using the Black-Scholes option valuation model. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where this fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted, as at the date the Company obtains the goods or the counterparty renders the service. The fair value of the share-based compensation is only re-measured if there is a modification to the terms of the instrument, such as a change in exercise price or legal life. The fair value of the share-based compensation is recognized as an expense over the expected vesting period with a corresponding entry to shareholders' equity.

Restricted share units (RSUs)

The Company's LTIP provides for the granting of restricted share units ("RSU") to directors, officers, employees and service providers to purchase common shares. RSUs are subject to vesting requirements based on specific performance measurements by the Company. The fair value for the portion of the RSUs related to market conditions is based on the application of pricing models at the grant date and the fair value for the portion related to non-market conditions is based on the market value of the shares at the grant date. Compensation expense is based on the current best estimate of the outcome for the specific performance measurement established by the Company and is recognized over the vesting period based on the number of units estimated to vest. The cost of the RSUs is recorded within equity until settled. Equity-settled awards are not remeasured subsequent to the initial grant date.

Income taxes

Income tax consists of current and deferred tax expense. Income tax is recognized in profit or loss except to the extent it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Loss per share

Basic net loss per share is calculated by dividing net loss for a given period by the weighted average number of common shares outstanding during that same period. Diluted net loss per share reflects the potential dilution that could occur if holders with rights to convert instruments to common shares exercise these rights. The weighted average number of common shares used to determine diluted net loss per share includes an adjustment, using the treasury stock method, for outstanding stock options and warrants.

Under the treasury stock method:

- the exercise of stock options and warrants is assumed to occur at the beginning of the period (or date of issuance, if later);
- the proceeds from the exercise of stock options and warrants plus the future period compensation expense on stock options and warrants granted are assumed to be used to purchase common shares at the average market price during the period; and

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3. Summary of Significant Accounting Policies (continued)

- the incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted net loss per share calculation.

Comparative figures

For the year ending June 30, 2021, the Company modified the expenditure classifications on the Statement of Operations and Comprehensive Loss resulting in changes to the presentation of prior year expenditures for comparative purposes, whereby certain expenditures for the years ending June 30, 2020 and June 30, 2019 that were previously included in exploration and evaluation expenses, management and professional fees, and general and administrative expenses have been reclassified into other expenditures classifications.

Recently Issued Accounting Pronouncements

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, the IASB issued amendments to IAS 16 Property, Plant and Equipment that clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and mine development to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit entities from deducting amounts received from selling items produced from the cost of property, plant and mine development while the Company is preparing the asset for its intended use. Instead, sales proceeds and the cost of producing these items will be recognized in the consolidated statements of operations and comprehensive loss. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments apply retrospectively, but only to assets brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company is evaluating the extent of the impact of the amendments on its financial statements.

4. Significant judgments, estimates and assumptions

To prepare financial statements in conformity with IFRS, the Company must make estimates, judgements and assumptions concerning the future that affect the carrying values of assets and liabilities as of the date of the consolidated financial statements and the reported values of revenues and expenses during the reporting period. By their nature, these are uncertain and actual outcomes could differ from the estimates, judgments and assumptions. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods. Significant accounting judgments, estimates and assumptions are reviewed on an ongoing basis.

Uncertainty due to the Covid-19 Pandemic

The impact of COVID-19 on the Company has been limited since it does not have any active exploration programs and construction activities related to the Molo Graphite Mine have mainly focused on the assembly of the processing plant overseas by our EPC contractor. Certain of our directors, officers, employees, consultants, and contractors have been indirectly impacted by intermittent lockdowns that have been imposed in Canada, Madagascar, Mauritius and in South Africa.

The Company has tried to incorporate the impact COVID-19 outbreaks and intermittent lockdowns into the development plans for the Molo Graphite Mine. Notwithstanding, intermittent lockdowns have the potential to cause unforeseen delays in the plant assembly and delivery schedule, as well as with mine site works construction schedule. It is not possible for the Company to predict the duration or magnitude of adverse impacts from further outbreaks and predict the effects on the Company's business or results of operations.

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, the Company or others related to the COVID-19 pandemic. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

Inputs and assumptions relate to, among other things, interest rates, foreign exchange rates, cost of capital, commodity prices, and the amount and timing of future cash flows, while accounting judgments take into consideration the business and economic uncertainties related to the COVID-19 pandemic and the future response of governments, the Company and others to those uncertainties. In the current environment, the inputs and assumptions and judgements are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19 pandemic on various financial accounts and note disclosures and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments, estimates and assumptions includes the Company's valuation of the long-term assets (including the assessment for impairment and impairment reversal), estimation of reclamation provisions, estimation of mineral reserves and mineral resources, and estimation of income and mining taxes. Actual results may differ materially from these estimates.

4. Significant judgments, estimates and assumptions (continued)

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the ability to continue as a going concern.

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment to determine whether future economic benefits are likely to arise and whether activities have reached a stage where the technical feasibility and commercial viability of extracting the mineral resource is demonstrable.

Development Stage Expenditures

The application of the Company's accounting policy for development stage expenditures requires judgment to determine when the technical feasibility and commercial viability of extracting a mineral resource has been determined. Some of the factors that the Company may consider in its assessment of technical feasibility and commercial viability are set out below:

- The level of geological certainty of the mineral deposit;
- Life of mine plans or economic models to support the economic extraction of reserves and mineral resources;
- A preliminary economic assessment, prefeasibility study or feasibility study that demonstrates the reserves and mineral resources will generate a positive commercial outcome;
- Reasonable expectations that operating permits will be obtained; and
- Approval by the Board of development of the project.

Income Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Derivative warrant liability

The Company measures the fair value of the derivative liability using an option pricing model. This estimate requires determining the most appropriate inputs to the valuation model including the expected life of the warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the warrant liability along with the assumptions and model used for estimating fair value are disclosed in Note 11 - *Warrant derivative liabilities*.

Royalty obligation

The Company accounts for a royalty obligation using a discounted cash flow forecast based on estimated future revenues from the Molo Graphite Mine, which is prepared by management. It is not based on observable market data but rather it is based on unobservable inputs of which the significant assumptions include the estimated flake graphite sales volumes and selling prices during the royalty term. Changes to these assumptions could have a significant impact on the measurement of the royalty obligation.

Share-based compensation

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 15 – *Long term incentive plan*.

Flow-Through Provision Estimates

The estimation of the value of the provision for the Part XII.6 taxes for the indemnification liability to subscribers of the flow-through shares issued in fiscal 2014 for the additional taxes payable to such subscribers related to the CEE renunciation shortfall that occurred in fiscal 2015 is based on applying a blended tax rate of approximately 35% against the CEE renunciation shortfall. The assumptions and calculations used for estimating the value attributed to the flow-through provision are disclosed in Note 12 - *Provisions*.

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5. Mineral Development Property

On March 29, 2021, upon obtaining approval to initiate mine construction from the Board, the Company began capitalizing development costs related to the Molo Graphite Mine. As of June 30, 2021, the Company capitalized \$708,514 (2020: \$nil) as mining property and \$3,611,890 (2020: \$nil) as assets under construction.

Molo Graphite Mine, Southern Madagascar Region, Madagascar

On December 14, 2011, the Company entered into a Definitive Joint Venture Agreement (“JVA”) with Malagasy Minerals Limited (“Malagasy”), a public company listed on the Australian Stock Exchange, to acquire a 75% interest in a property package for the exploration and development of industrial minerals, including graphite, vanadium and 25 other minerals. The land position consisted of 2,119 permits covering 827.7 square kilometers and is mostly adjacent towards the south and east with the Company’s 100% owned Green Giant Vanadium Project. Pursuant to the JVA, the Company paid \$2,261,690 and issued 750,000 common shares that were valued at \$1,350,000.

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together “the Agreements”) with Malagasy to acquire the remaining 25% interest, subject to Malagasy retaining a 1.5% net smelter royalty (“NSR”). Pursuant to the Agreements, the Company paid \$364,480 (CAD\$400,000), issued 250,000 common shares subject to a 12-month voluntary vesting period that were valued at \$325,000 and issued 350,000 common share purchase warrants, which were valued at \$320,950 using Black-Scholes, with an exercise price of \$0.14 and an expiry date of April 15, 2019. On May 20, 2015 and upon completion of a bankable feasibility study (“BFS”) for the Molo Graphite Property, the Company paid \$546,000 (CAD\$700,000) and issued 100,000 common shares, which were valued at \$100,000. A further cash payment of approximately \$771,510 (CAD\$1,000,000) will be due within five days of the commencement of commercial production (the “Commercial Production Fee”). The Company also acquired a 100% interest in the industrial mineral rights on approximately 1 ½ additional claim blocks covering 10,811 hectares adjoining the east side of the Molo Graphite Property. Prior to becoming a Director of the Company, Brett Whalen purchased an option to acquire the 1.5% NSR from Malagasy, upon the mine achieving commercial production, in return for a further payment to Malagasy.

The Molo Graphite Project is located within Exploration Permit #3432 (“PR 3432”) as issued by the Bureau de Cadastre Minier de Madagascar (“BCMM”) pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The Molo Graphite Project exploration permit PR 3432 is currently held under the name of our Madagascar subsidiary, which has paid all taxes and administrative fees to the Madagascar government and its mining ministry with respect to all the mining permits held in country. These taxes and administrative fee payments have been acknowledged and accepted by the Madagascar government.

On February 15, 2019, the Company received a 40-year mining license for the Molo Graphite Project from the Madagascar Government which does not limit mining to any specific volume.

On April 11, 2019, the Company also received the Global Environmental Permit for the Molo Graphite Project from the Madagascar Ministry of Environment's Office National pour l'Environnement (the National Office for the Environment; or "ONE").

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue Resources Limited ("Vision Blue") to provide a financing package (the "Financing Package") for total gross proceeds of USD\$29.5M. The proceeds of the Financing Package will be used to complete construction of Phase 1 of the Company's Molo Graphite Mine. The Financing Package consisted of an initial private placement of \$6.0 million that was completed on March 15, 2021, a second private placement for \$12.5 million that was completed on May 19, 2021, and a royalty financing agreement that was completed on June 28, 2021, when the Company received an initial \$8.0 million and will receive another \$3.0 million once it has reached 80% of capital expenditures related to the construction of the Molo Graphite Mine. Vision Blue was granted a right of first refusal to finance the Phase 2 expansion of the Molo Graphite Mine.

On March 29, 2021, the Company announced the initiation of the construction process for the Molo Graphite Mine with the awarding of the engineering, procurement, and construction management contract.

On May 11, 2021, the Company announced it initiated the procurement of processing plant equipment, which will be assembled offshore and then shipped to Madagascar in late 2021.

As of June 30, 2021, the Company believes that construction can be completed within 12 months and that commercial production could be declared on or around June 30, 2022, and as such recognized a provision of \$708,514 based on the present value of the Commercial Production Fee using a 13.8% discount rate. The provision was capitalized as mining property under property, plant and equipment.

NextSource Materials Inc.

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6. Mineral Exploration and Other Properties

As of June 30, 2021, the Company has not capitalized any acquisition, exploration and development costs for its exploration properties.

Green Giant Vanadium Project, Southern Madagascar Region, Madagascar

In 2007, the Company entered into a joint venture agreement with Madagascar Minerals and Resources SARL ("MMR") to acquire a 75% interest in the Green Giant property. Pursuant to the agreement, the Company paid \$765,000 in cash, issued 250,000 common shares and issued 100,000 common share purchase warrants, which have now expired.

On July 9, 2009, the Company acquired the remaining 25% interest by paying \$100,000. MMR retains a 2% NSR. The first 1% NSR can be acquired at the Company's option by paying \$500,000 in cash or common shares and the second 1% NSR can be acquired at the Company's option by paying \$1,000,000 in cash or common shares.

The Green Giant property is located within exploration permits issued by the BCMM pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The Green Giant property exploration permits are currently held under the name of our Madagascar subsidiary, which has paid all taxes and administrative fees to the Madagascar government and its mining ministry with respect to all the mining permits held in country. These taxes and administrative fee payments have been acknowledged and accepted by the Madagascar government.

Since early 2012, the Company has focused its efforts on the Molo Graphite Project and as such only limited work has been completed on the Green Giant Vanadium Project since that time.

As part of Financing Package announced on February 8, 2021, Vision Blue will receive a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide ("V₂O₅") from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅.

Sagar Project, Labrador Trough Region, Quebec, Canada

In 2006, the Company purchased from Virginia Mines Inc. (“Virginia”) a 100% interest in 369 claims located in northern Quebec, Canada. Virginia retains a 2% net smelter royalty (“NSR”) on certain claims within the property. Other unrelated parties also retain a 1% NSR and a 0.5% NSR on certain claims within the property, of which half of the 1% NSR can be acquired by the Company by paying \$200,000 and half of the 0.5% NSR can be acquired by the Company by paying \$100,000.

Since early 2012, the Company has focused its efforts on the Molo Graphite Project and as such only minimal work has been completed on the Sagar Property since that time.

As of June 30, 2021, the Sagar property consisted of 184 claims covering a total area of 8,539.58 ha.

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7. Property, Plant and Equipment

	Mining Property	Assets Under Construction	Right of Use Assets	Equipment	Total
	\$	\$	\$	\$	\$
As at June 30, 2019	-	-	-	-	-
Adoption of IFRS 16	-	-	24,164	-	24,164
Disposals	-	-	-	-	-
Amortization	-	-	(6,053)	-	(6,053)
As at June 30, 2020	-	-	18,111	-	18,111
Additions	708,514	3,611,890	-	5,238	4,325,642
Disposals	-	-	-	-	-
Amortization	-	-	(6,037)	(555)	(6,592)
As at June 30, 2021	708,514	3,611,890	12,074	4,683	4,337,161
Carrying value as at June 30, 2020					
Cost	-	-	24,164	-	24,164
Accumulated amortization	-	-	(6,053)	-	(6,053)
Total	-	-	18,111	-	18,111
Carrying value as at June 30, 2021					
Cost	708,514	3,611,890	24,165	5,238	4,349,807
Accumulated amortization	-	-	(12,091)	(555)	(12,646)
Total	708,514	3,611,890	12,074	4,683	4,337,161

On March 29, 2021, upon obtaining approval to initiate mine construction from the Board, the Company began capitalizing development costs related to the Molo Graphite Mine. As of June 30, 2021, the Company capitalized \$708,514 (2020: \$nil) related to the commercial production fee (see notes 5 and 12) as mining property and \$3,611,890 (2020: \$nil) related to construction of the processing plant as assets under construction.

Upon the Company’s adoption of IFRS 16 on July 1, 2019, the Company recognized \$24,164 for right-of-use assets related to the long-term lease for the exploration camp in Fotadrevo, Madagascar. As of June 30, 2021, the exploration camp lease had a remaining term of 24 months.

The Company owns exploration and evaluation equipment and several vehicles located in Madagascar that were previously used for exploration purposes that no longer have any carrying values. The Company owns and operates a permitted landing strip near Fotadrevo, Madagascar that no longer has any carrying value.

Geographic information is disclosed under the segmented reporting in note 16.

8. Short-Term Debt

The Company has a Canada Emergency Business Account (CEBA), which is not subject to an interest rate until after December 31, 2022 and has loan forgiveness provisions whereby 25% of the loan principal will be forgiven if 75% of the loan principal is repaid prior to December 31, 2022.

As of June 30, 2021, the Company had previously withdrawn CAD \$40,000 and repaid CAD \$30,000 of loan principal. The Company has therefore recognized the loan forgiveness of CAD\$10,000 resulting in a short-term debt carrying balance on June 30, 2021 of \$Nil (June 30, 2020: \$22,115).

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9. Lease obligations

The Company is party to several contracts that contain a lease, most of which include office facilities and exploration camp. Leases of low value assets, short term leases and leases with variable payments proportional to the rate of use of the underlying asset do not give rise to a lease obligation.

Upon the Company's adoption of IFRS 16 on July 1, 2019, the Company recognized \$24,164 of lease obligations for leased right-of-use assets in relation to the long-term lease for the exploration camp in Fotadrevo, Madagascar. As of June 30, 2021, the exploration camp lease had a remaining term of 24 months.

The following table sets out the carrying amounts of lease obligations for right-of-use assets that are included in the consolidated statement of financial position and the movements between the reporting periods:

	Lease Obligations \$
Balance as at July 1, 2019	-
Adoption of IFRS 16	24,164
Lease payments	(4,810)
Foreign exchange adjustments	(3,336)
Balance as at June 30, 2020	16,018
Additions	-
Lease payments	(6,367)
Finance costs	1,317
Foreign exchange adjustments	131
Balance as at June 30, 2021	11,099

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

	Lease Obligations \$
Current portion of lease obligations	5,845
Long-term lease obligations	5,254
Balance as at June 30, 2021	11,099

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

	Lease Obligations \$
Within 12 months	6,019
Between 13 and 24 months	6,019
Total undiscounted lease obligations	12,038

Short-term leases

During the year ended June 30, 2021, the Company recognized rent expense relating to short-term office leases of \$19,857 (2020: \$19,111) in the consolidated statements of operations and comprehensive loss.

NextSource Materials Inc.

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

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10. Royalty obligation

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue Resources (“Vision Blue”), a private investment company created and led by Sir Mick Davis, who subsequently was appointed as Chair of the Board of Directors of the Company, to provide a financing package (the “Financing Package”) for total gross proceeds of USD\$29.5M consisting of private placements and a royalty financing agreement. As part of the royalty financing agreement:

- On June 28, 2021, the Company received \$8.0 million, less a US\$1.5 million royalty financing fee. The Company will receive a further \$3.0 million upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021.
- The Company will pay to Vision Blue the greater of: (i) US\$1.65 million per annum or (ii) 3% of the gross revenues from SuperFlake® concentrate sales (the “GSR”). Once Vision Blue has received a cumulative royalty payment of US\$16.5 million, the GSR will be calculated as 3% of the gross revenues from the Company’s SuperFlake® sales. NextSource will have the option at any time to reduce the GSR to 2.25% upon payment to Vision Blue of US\$20 million. The Company may delay the first-year minimum repayments, which will become subject to accrued interest of 15% per annum.
- Vision Blue will receive a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide (“V₂O₅”) from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅.

On June 30, 2021, the Company recognized a royalty obligation at its fair value of \$6.5 million, which is equal to the present value of the \$3.0 million that will be received upon achieving 80% of capital expenditures, minimum royalty payments, accrued interest on minimum royalty payment deferrals and the perpetual 3% royalty using an effective discount rate of 13.8%, which was determined at recognition by calculating the IRR of the of the \$3.0 million that will be received upon achieving 80% of capital expenditures, minimum royalty payments, accrued interest on minimum royalty payment deferrals and the perpetual 3% royalty. The royalty obligation will be remeasured at each reporting period based on the revised expected future payments at the original effective discount rate under the amortized cost method. During the year ended June 30, 2021, accretion expense on the royalty obligation recognized in the consolidated statements of loss and comprehensive loss was \$Nil (2020: \$Nil).

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

	Obligation \$
Within 12 months	-

Between 13 and 24 months	948,750
Between 25 and 36 months	1,897,500
Between 37 and 48 months	1,897,500
Between 49 and 60 months	1,897,500
Thereafter	12,333,750
Total undiscounted minimum payments and interest	18,975,000

The \$1.5 million financing fee and \$169,279 in legal fees related to the royalty agreement were netted against the carrying value of the royalty obligation, which will be recognized over the term of the minimum payment period.

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11. Warrant Derivative Liabilities

The following warrants were issued in a currency other than the Company's functional currency and therefore are considered a derivative financial liability settled through profit and loss as per IFRS 9 *Financial Instruments*. The fair value of the warrants was measured as a financial liability using the Black-Scholes option valuation model on the issue date and will be remeasured at each reporting period through profit and loss until expiration or the exercise of the warrants.

	Warrant Liability \$
Balance as at June 30, 2019	334,618
Recognition of derivative liability	261,090
Change in fair value through profit and loss	(386,940)
Reclassification to equity on exercise of warrants	-
Balance as at June 30, 2020	208,768
Recognition of derivative liability	56,216,388
Change in fair value through profit and loss	(6,808,106)
Reclassification to equity on exercise of warrants	(4,236,117)
Balance as at June 30, 2021	45,380,933

Warrants expiring August 17, 2020

The fair value of the warrant liability was estimated using the following model inputs on the following valuation dates:

Warrants Expiring August 17, 2020	Warrant Liability \$
Share price on measurement date	(CAD \$0.90) USD \$0.68
Exercise price	(CAD \$1.00) USD \$0.76
Risk free rate	1.50%
Expected volatility	115%
Expected dividend yield	Nil
Expected life (in years)	2.00
As of August 17, 2018 (issue date)	408,150
Change in fair value through profit and loss	(73,532)

Reclassification to equity on exercise of warrants		-
Share price on measurement date	(CAD \$1.00) USD \$0.76	
Exercise price	(CAD \$1.00) USD \$0.76	
Risk free rate	1.67%	
Expected volatility	100%	
Expected dividend yield	Nil	
Expected life (in years)	1.13	
As of June 30, 2019		334,618
Change in fair value through profit and loss		(327,537)
Reclassification to equity on exercise of warrants		-
Share price on measurement date	(CAD \$0.40) USD \$0.29	
Exercise price	(CAD \$100) USD \$0.73	
Risk free rate	0.20%	
Expected volatility	162%	
Expected dividend yield	Nil	
Expected life (in years)	0.13	
As of June 30, 2020		7,081
Change in fair value through profit and loss		(7,081)
As of August 17, 2020 (expiration)		-

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11. Warrant Derivative Liabilities (continued)

Warrants expiring October 25, 2021

The fair value of the warrant liability was estimated using the following model inputs on the following valuation dates:

Warrants Expiring October 25, 2021	Warrant Liability
	\$
Share price on measurement date	(CAD \$0.50) USD \$0.38
Exercise price	(CAD \$0.90) USD \$0.69
Risk free rate	1.66%
Expected volatility	115%
Expected dividend yield	Nil
Expected life (in years)	2.00
As of October 25, 2019 (issue date)	261,090
Change in fair value through profit and loss	(59,403)
Reclassification to equity on exercise of warrants	-
Share price on measurement date	(CAD \$0.40) USD \$0.29
Exercise price	(CAD \$0.90) USD \$0.64
Risk free rate	0.25%
Expected volatility	156%

Expected dividend yield	Nil	
Expected life (in years)	1.32	
As of June 30, 2020		201,687
Change in fair value through profit and loss		2,278,285
Reclassification to equity on exercise of warrants		(1,373,246)
Share price on measurement date	(CAD \$2.64) USD \$2.13	
Exercise price	(CAD \$0.90) USD \$0.73	
Risk free rate	0.15%	
Expected volatility	81%	
Expected dividend yield	Nil	
Expected life (in years)	0.32	
As of June 30, 2021		<u>1,106,726</u>

Warrants expiring July 2, 2022

The fair value of the warrant liability was estimated using the following model inputs on the following valuation dates:

Warrants Expiring July 2, 2022		Warrant Liability
		\$
Share price on measurement date	(CAD \$0.40) USD \$0.29	
Exercise price	(CAD \$0.65) USD \$0.48	
Risk free rate	0.25%	
Expected volatility	112%	
Expected dividend yield	Nil	
Expected life (in years)	2.00	
As of July 2, 2020 (issue date)		421,861
Change in fair value through profit and loss		5,773,919
Reclassification to equity on exercise of warrants		(2,862,871)
Share price on measurement date	(CAD \$2.64) USD \$2.13	
Exercise price	(CAD \$0.65) USD \$0.52	
Risk free rate	0.23%	
Expected volatility	190%	
Expected dividend yield	Nil	
Expected life (in years)	1.01	
As of June 30, 2021		<u>3,332,909</u>

The initial fair value of \$421,861 for warrants granted on July 2, 2020 consisted of \$421,861 that was reclassified from equity to warrant liability.

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11. Warrant Derivative Liabilities (continued)

Warrants expiring May 19, 2023

The fair value of the warrant liability was estimated using the following model inputs on the following valuation dates:

Warrants Expiring May 19, 2023	Warrant Liability	\$
Share price on measurement date	(CAD \$3.40) USD \$2.81	
Exercise price	(CAD \$1.00) USD \$0.83	
Risk free rate	0.33%	
Expected volatility	148%	
Expected dividend yield	Nil	
Expected life (in years)	2.00	
As of May 19, 2021 (issue date)		55,794,527
Change in fair value through profit and loss		(14,853,229)
Reclassification to equity on exercise of warrants		-
Share price on measurement date	(CAD \$2.64) USD \$2.13	
Exercise price	(CAD \$1.00) USD \$0.81	
Risk free rate	0.45%	
Expected volatility	152%	
Expected dividend yield	Nil	
Expected life (in years)	1.89	
As of June 30, 2021		40,941,298

The initial fair value of \$55,794,527 for the warrants issued on May 19, 2021 consisted of \$12,500,000 that was reclassified from equity to warrant liability and \$43,294,527 that was recognized through profit and loss.

12. Provisions

Commercial production

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together “the Agreements”) with Malagasy to acquire the remaining 25% interest in the Molo Graphite Property. Pursuant to the Agreements, a further cash payment of approximately \$806,200 (CAD\$1,000,000) will be due within five days of the commencement of commercial production (“Commercial Production Fee”).

As of June 30, 2021, the Company believes that construction can be completed within 12 months and that commercial production could be declared on or around June 30, 2022, and as such recognized a provision of \$708,514 based on the present value of the Commercial Production Fee using a 13.8% discount rate. The Commercial Production Fee provision was capitalized as mining property under property, plant and equipment.

Flow-through

During fiscal 2014, the Company issued 17,889,215 flow-through shares to eligible Canadian taxpayer subscribers which included a contractual commitment for the Company to incur \$3,812,642 in eligible Canadian Exploration Expenditures (“CEEs”) by December 31, 2014 as per the provisions of the Income Tax Act of Canada. The CEEs were renounced as a tax credit to the flow-through share subscribers on December 31, 2013. As at December 31, 2014, the Company had unfulfilled CEE obligations. During the year ended June 30, 2015, the Company recorded a provision for the Part XII.6 taxes and related penalties payable to the Canada Revenue Agency and for the indemnification liability to subscribers of the flow-through shares for the additional taxes payable related to the CEE renunciation shortfall. During the year ended June 30, 2017, the Company paid \$131,320 in Part XII.6 taxes, resulting in a reduction in the provision, and following a reassessment of its obligation to subscribers the Company increased the provision by \$131,320. During the year ended June 30, 2018, the provision was adjusted due to foreign exchange fluctuations to \$180,652. During the year ended June 30, 2019, there were \$Nil adjustments to the provision balance. During the year ended June 30, 2020, the provision was adjusted due to foreign exchange fluctuations to \$174,418. During the year ended June 30, 2021, based on the limited amount of completed settlements the Company revised the provision downward to \$29,508.

NextSource Materials Inc.**Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020***(Expressed in US Dollars)*

13. Share Capital

The Company's common shares have no par value and the authorized share capital is composed of an unlimited number of common shares. On May 20, 2021, the Company gave effect to a 1 for 10 consolidation of its common shares and all outstanding warrants, stock options and restricted share units. All of the per share amounts in these consolidated financial statements have been restated to give effect to the share consolidation on a retroactive basis.

As of June 30, 2021, the Company had 98,184,260 common shares issued and outstanding (June 30, 2020: 53,649,481).

The following changes to the issued and outstanding common shares occurred during the year ended June 30, 2021:

- (a) On July 2, 2020, the Company completed a non-brokered private placement of 6,157,887 units at a price of \$0.24 (CAD\$0.325) per unit for gross proceeds of \$1,476,571 (CAD\$2,001,310). Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.48 (CAD\$0.65) per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$9,293 in share issuance costs.
- (b) On December 22, 2020, a total of 72,174 stock options priced at \$0.56 were exercised into 72,174 common shares for gross proceeds of \$40,418.
- (c) On February 9, 2021, a total of 147,000 stock options priced at \$0.66 were exercised into 147,000 common shares for gross proceeds of \$97,054.
- (d) On February 12, 2021, a total of 55,000 warrants priced at CAD\$0.90 and 15,385 warrants at a price of CAD\$0.65 were exercised into 70,385 common shares for gross proceeds of \$46,760.
- (e) On February 19, 2021, a total of 22,223 stock options priced at CAD\$0.90 were exercised into 22,223 common shares for gross proceeds of \$15,857 and a total of 517,443 RSUs that vested on February 7, 2021 were converted into common shares for no additional consideration.
- (f) On February 23, 2021, a total of 73,000 stock options priced at \$0.66 were exercised into 73,000 common shares for gross proceeds of \$48,439.
- (g) On February 26, 2021, a total of 111,112 warrants priced at CAD\$0.90 were exercised into 111,112 common shares for gross proceeds of \$79,172.
- (h) On March 4, 2021, a total of 50,000 warrants priced at CAD\$0.65 were exercised into 50,000 common shares for gross proceeds of \$25,681.
- (i) On March 8, 2021, a total of 290,000 stock options priced at CAD\$1.00 and 220,000 stock options priced at \$0.66 were exercised into 510,000 common shares for gross proceeds of \$374,494.
- (j) On March 15, 2021, the Company completed a non-brokered private placement of 12,000,000 common shares at a price of CAD\$0.65 per share for total gross proceeds of \$6,000,000 (CAD\$7,800,000). In connection with the non-brokered private placement, the Company incurred \$16,367 in share issuance costs.
- (k) On April 12, 2021, a total of 361,500 warrants priced at CAD\$0.65 and 55,555 warrants priced at CAD\$0.90 were exercised into 417,055 common shares for gross proceeds of \$226,506.

- (l) On May 19, 2021, the Company completed a non-brokered private placement of 23,214,286 units at a price of CAD\$0.65 per unit for total gross proceeds of \$12,500,000 (CAD\$15,089,286). Each unit consisted of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$1.00 per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$87,788 in share issuance costs.
- (m) On May 25, 2021, a total of 750,000 warrants priced at CAD\$0.65 were exercised into 750,000 common shares for gross proceeds of \$403,705.
- (n) On June 7, 2021, a total of 200,000 warrants priced at CAD\$0.90 were exercised into 200,000 common shares for gross proceeds of \$148,518.
- (o) On June 23, 2021, a total of 222,223 warrants priced at CAD\$0.90 were exercised into 222,223 common shares for gross proceeds of \$162,000.

NextSource Materials Inc.
Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020
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13. Share Capital (continued)

The Company issued the following common shares during the year ended June 30, 2020:

- (a) On October 25, 2019, the Company closed a non-brokered private placement offering of 2,907,777 units at a price of \$0.34 (CAD\$0.45) per unit for aggregate gross proceeds of \$998,620 (CAD\$1,308,500). Each unit consisted of one common share and one-half common share purchase warrant, with each full warrant exercisable into one common share at an exercise price of \$0.70 (CAD\$0.90) for a period of two years. In connection with the non-brokered private placement, the Company incurred \$7,820 in share issuance costs.

14. Warrants

The Company issued common share purchase warrants as part of equity private placements. The fair value of warrants is determined using the Black-Scholes option valuation model based on the market price, the exercise price, compound risk free interest rate, annualized volatility and number of periods until expiration. Depending on the nature of the warrants, the fair value may be classified as equity or as a derivative financial liability settled through profit and loss. Each warrant entitles the holder to purchase one common share of the Company at the respective exercise price prior to or on the respective expiration date.

As of June 30, 2021, the Company had 25,904,122 common share purchase warrants outstanding (June 30, 2020: 2,519,157) with a weighted average expiration of 1.77 years (June 30, 2020: 0.82 years), which are exercisable into 25,904,122 (June 30, 2020: 2,519,157) common shares at a weighted average exercise price of USD\$0.78 (June 30, 2020: USD\$0.70). All outstanding warrants vested on their respective issue dates.

Issued Date	Expiration Date		Exercise Price	Balance on June 30, 2020	Issued (Expired)	Exercised	Balance on June 30, 2021
August 17, 2018	August 17, 2020	CAD\$	1.00	1,065,265	(1,065,265)	-	-
October 25, 2019	October 25, 2021	CAD\$	0.90	1,453,892	-	(666,112)	787,780
July 2, 2020	July 2, 2022	CAD\$	0.65	-	3,078,941	(1,176,885)	1,902,056
May 19, 2021	May 19, 2023		1.00	-	23,214,286	-	23,214,286
Totals				2,519,157	25,227,962	(1,842,997)	25,904,122

Issued Date	Expiration Date		Exercise Price	Balance on June 30, 2019	Issued (Expired)	Exercised	Balance on June 30, 2020
August 17, 2018	August 17, 2020	CAD\$	1.00	1,065,265	-	-	1,065,265
October 25, 2019	October 25, 2021	CAD\$	0.90	-	1,453,892	-	1,453,892
Totals				1,065,265	1,453,892	-	2,519,157

The following common share purchase warrants were issued during the year ended June 30, 2021:

- On July 2, 2020, the Company completed a non-brokered private placement of 6,157,887 units at a price of \$0.24 (CAD\$0.325) per unit for gross proceeds of \$1,476,571 (CAD\$2,001,310). Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (a "Warrant"), with each full Warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$0.65 (USD\$0.52) per share for a period of 24 months.
- On May 19, 2021, the Company completed a non-brokered private placement of 23,214,286 units at a price of CAD\$0.65 per unit for total gross proceeds of \$12,500,000 (CAD\$15,089,286). Each unit consisted of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$1.00 (USD\$0.80) per share for a period of 24 months.

The following common share purchase warrants were issued during the year ended June 30, 2020:

- On October 25, 2019, the Company completed a non-brokered private placement of 2,907,777 units at a price of CAD\$0.45 per unit for total gross proceeds of \$998,620 (CAD\$1,308,500). Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$0.90 (USD\$0.70) per share for a period of two years.

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15. Long term incentive plan

The Company's long term incentive plan (the "LTIP plan") is restricted to a maximum of 10% of the issued and outstanding common shares. Under the LTIP plan, the Company may grant securities-based incentives including stock options and restricted share units ("RSUs") to directors, officers, employees, and consultants. The Board of Directors administers the plan and determines the vesting and terms of each grant.

Stock Options

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

As of June 30, 2021, the Company had 2,780,000 stock options outstanding (June 30, 2020: 3,625,001) with a weighted average expiration of 2.15 years (June 30, 2020: 2.28), which are exercisable into 2,780,000 common shares (June 30, 2020: 3,625,001) at a weighted average exercise price of USD\$1.73 (June 30, 2020: USD\$0.67). All the outstanding stock options vested on their respective grant dates.

Grant	Vesting	Expiration	Exercise	Balance on	Granted	Exercised	Balance on
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Date	Date	Date	Price		June 30, 2020	(Expired or Cancelled)		June 30, 2021
December 22, 2015	December 22, 2015	December 22, 2020		0.56	630,001	(557,826)	(72,175)	-
June 9, 2017	June 9, 2017	June 9, 2022	USD\$	0.66	1,810,000	(470,000)	(440,000)	900,000
March 26, 2019	March 26, 2019	March 26, 2024	USD\$	1.00	1,185,000	(315,000)	(290,000)	580,000
March 19, 2021	March 19, 2021	March 19, 2024	USD\$	3.60	-	1,300,000	-	1,300,000
Totals					3,625,001	(42,826)	(802,175)	2,780,000

Grant Date	Vesting Date	Expiration Date	Exercise Price		Balance on June 30, 2019	Granted (Expired or Cancelled)	Exercised	Balance on June 30, 2020
July 3, 2014	July 3, 2014	July 3, 2019	USD\$	1.50	115,000	(115,000)	-	-
February 26, 2015	February 26, 2015	February 26, 2020	USD\$	2.00	287,000	(287,000)	-	-
December 22, 2015	December 22, 2015	December 22, 2020	USD\$	0.56	670,001	(40,000)	-	630,001
June 9, 2017	June 9, 2017	June 9, 2022	USD\$	0.66	1,810,000	-	-	1,810,000
March 26, 2019	March 26, 2019	March 26, 2024	USD\$	1.00	1,185,000	-	-	1,185,000
Totals					4,067,001	(442,000)	-	3,625,001

The following stock options were granted during the year ended June 30, 2021:

- (a) On March 19, 2021, the Company granted 1,300,000 stock options exercisable at a price of CAD\$3.60 for a period of three years. The options were valued at \$2,777,404 using the Black-Scholes pricing model based on a risk-free rate of 0.53%, a term of 3 years, volatility of 130% and a market price of \$2.88 (CAD\$3.60). These stock options vested on the grant date.

No stock options were issued during the year ended June 30, 2020.

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15. Long term incentive plan (continued)

Restricted share units (RSUs)

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

As of June 30, 2021, the Company had 475,000 RSUs issued and outstanding (June 30, 2020: Nil) with a weighted average expiration of 1.40 years (June 30, 2020: nil) which entitle the holders to receive 475,000 common shares (June 30, 2020: nil) for no additional consideration subject to satisfying the vesting conditions.

Grant Date	Actual / Estimated Vesting Date	Vesting Condition	Expiration Date	Balance on June 30, 2020	Granted (Expired or Cancelled)	Converted	Balance on June 30, 2021
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December 29, 2020	February 7, 2021	Financing Milestone	February 19, 2021	-	172,481	(172,481)	-
December 29, 2020	February 7, 2021	Financing Milestone	August 19, 2022	-	172,481	(172,481)	-
December 29, 2020	February 7, 2021	Financing Milestone	February 19, 2022	-	172,481	(172,481)	-
March 19, 2021	December 31, 2022	Employment	June 30, 2023	-	200,000		200,000
March 19, 2021	June 30, 2022	Plant Commissioning	December 31, 2022	-	100,000		100,000
March 19, 2021	June 30, 2022	Offtake Agreement	December 31, 2022	-	25,000		25,000
March 19, 2021	May 17, 2021	Financing Milestone	December 31, 2021	-	150,000		150,000
Totals				-	992,443	(517,443)	475,000

The following changes to the issued and outstanding RSUs occurred during the year ended June 30, 2021:

- (a) On December 29, 2020, the shareholders approved a resolution approving the new LTIP Plan and the granting of 517,443 RSUs. The RSUs have variable vesting dates whereby the holders will receive 517,443 common shares subject to the vesting condition of achieving project financing milestones related to the Molo Graphite Project whereby 33.33% was set to expire on each of Feb 16, 2021, August 16, 2021, and Feb 16, 2022. The fair value was estimated at \$364,852 based on a grant-date market price of CAD\$0.90 (USD\$0.71), which was fully expensed when these RSUs vested on February 7, 2021.
- (b) On March 19, 2021, the Company granted the following RSUs:
 - a. 200,000 RSUs expiring on June 30, 2023, whereby the holders will receive 200,000 common shares subject to the vesting condition of being employees or consultants of the Company on December 31, 2022. The grant date fair value was estimated at \$575,352 based on a grant-date market price of \$2.88 (CAD\$3.60). A total of \$91,430 was expensed during the year ended June 30, 2021.
 - b. 100,000 RSUs expiring on June 30, 2023, whereby the holders will receive 100,000 common shares subject to the vesting condition of achieving plant commissioning milestones on or before June 30, 2022. The grant date fair value was estimated at \$287,676 based on a grant-date market price of \$2.88 (CAD\$3.60). A total of \$63,178 was expensed during the year ended June 30, 2021.
 - c. 25,000 RSUs expiring on June 30, 2023, whereby the holders will receive 25,000 common shares subject to the vesting condition of achieving offtake agreement milestones on or before June 30, 2022. The grant date fair value was estimated at \$71,919 based on a grant-date market price of \$2.88 (CAD\$3.60). A total of \$15,795 was expensed during the year ended June 30, 2021.
 - d. 150,000 RSUs expiring on December 31, 2021, whereby the holders will receive 150,000 common shares subject to the vesting condition of achieving project financing milestones on or about May 17, 2021. The grant date fair value was estimated at \$431,514 based on the grant-date market price of \$2.88 (CAD\$3.60). The RSUs vested on May 17, 2021 and a total of \$431,514 was expensed during the year ended June 30, 2021.

No RSUs were issued during the year ended June 30, 2020.

The Company has two operating segments, consisting of mine development operations in Madagascar and the exploration and evaluation of mineral resources in Madagascar and Canada. No commercial revenues have ever been generated by any mineral properties. Limited amounts of cash and equipment are currently held in Madagascar and Mauritius. Other than the mining assets under construction, which are currently being assembled overseas and will then be shipped to Madagascar, significantly all of the Company assets are held in Canada. The Company's President and Chief Executive Officer and Chief Financial Officer are the operating decision-makers and direct the allocation of resources to its segments.

The following is the segmented information by operating segments:

	For the year ended June 30, 2021	For the year ended June 30, 2020	For the year ended June 30, 2019
Revenues	\$ -	\$ -	\$ -
Mine development expenses			
Mineral claims (Madagascar)	3,335	93,954	81,969
Payroll and benefits	-	-	13,490
Engineering and metallurgical (Canada, South Africa)	38,598	64,850	171,210
Consulting fees (Madagascar)	265,635	-	686,212
Travel	16,100	20,452	12,587
Commercial production success fee	-	-	-
Total mine development expenses	323,668	179,256	965,468
Exploration and evaluation expenses			
Mineral claims (Canada)	15,335	6,623	15,469
Mineral claims (Madagascar)	4,449	50,000	39,875
Exploration Camp and Admin (Madagascar)	27,031	9,487	82,582
Total exploration and evaluation expenses	46,815	66,110	137,926
General and administrative expenses			
Payroll and benefits	483,519	436,337	459,553
Consulting Fees	383,841	358,503	368,345
Legal Fees	99,316	29,344	239,366
Professional Fees	155,108	95,397	111,711
Public filing expenses	131,923	72,137	87,093
Travel expenses	23,399	34,004	140,414
Investor relation expenses	31,610	22,993	49,711
Insurance expenses	30,816	22,624	18,315
Rent expenses	19,857	19,111	34,303
Office and admin	37,412	23,637	24,704
Total general and administrative expenses	1,396,801	1,114,087	1,533,515
Share-based compensation	3,744,172	-	651,692
Amortization of plant and equipment	6,592	6,053	-
Finance costs	1,317	-	-
Foreign currency translation (gain) loss	101,252	3,552	(4,565)
Interest (income)	(104)	-	-
Interest expense	273	2,098	-
Royalty Fee	-	-	-
Flow through provision (gain) or loss	(146,814)	-	-
Foreign taxes	92	772	-
Sub-total before other items	5,474,064	1,371,928	3,284,036
Change in value of warrant liability	36,486,420	(386,940)	(73,532)
Government assistance	-	(7,353)	-
Net loss for the year	(41,960,484)	(977,635)	(3,210,504)

NextSource Materials Inc.
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16. Segmented Reporting (continued)

The following is the segmented information by geographic region:

As at June 30, 2021	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	22,422,783	1,130	13,173	22,437,086
Amounts receivable	92,344	-	26	92,370
Prepaid expenses	52,428	-	546	52,974
Property, plant and equipment	713,197	-	3,623,964	4,337,161
Total assets	23,280,752	1,130	3,637,709	26,919,591
As at June 30, 2020	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	208,251	-	14,054	222,305
Amounts receivable	7,513	-	26	7,539
Prepaid expenses	25,299	-	185	25,484
Property, plant and equipment	-	-	18,111	18,111
Total assets	241,063	-	32,376	273,439

17. 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. Other related parties include companies controlled by key management personnel. Related parties include key management, which consists of the Board of Directors, Chief Executive Officer, Chief Financial Officer, and the Senior Vice Presidents of the Company.

A transaction is considered a related party transaction when there is a transfer of economic resources or financial obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the fair value. Balances and transactions between the Company and its wholly owned subsidiaries, which are related parties of the Company, have been eliminated and are not disclosed in this note.

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

	Year ended June 30, 2021	Year ended June 30, 2020	Year ended June 30, 2019
Payroll and benefits	\$ 448,984	\$ 381,777	\$ 439,175
Consulting fees	341,541	331,682	335,045
Professional fees	35,946	-	-
Share-based compensation	3,744,172	-	640,692
Total	\$ 4,570,643	\$ 713,459	\$ 1,414,912

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

	As of June 30, 2021	As of June 30, 2020
Amounts receivable from key management	\$ 17,007	\$ -
Prepaid expenses to companies controlled by key management	\$ 6,949	\$ 3,178
Accounts payable due to companies controlled by key management	\$ -	\$ 86,685
Accrued liabilities due to key management	\$ 64,503	\$ 54,727

NextSource Materials Inc.
Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020
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18. Capital Management

There were no changes in the Company's approach to capital management during the year ended June 30, 2021.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while working to obtain additional funding to meet its obligations as they come due. The Company's operations to date have been funded by issuing equity and a royalty financing agreement. The Company expects to continue to improve the working capital position by securing additional financing.

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

The Company's mineral property interests are all in the exploration, development, and construction stage. The Company has yet to generate any revenue from mining operations. As such the Company is dependent on obtaining external financing to fund exploration and evaluation, development, construction and operating expenditures. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and adjusts in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company's capital structure may involve the issuance of new shares, assumption of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements.

Working Capital Balance

As of June 30, 2021, the Company had a working capital deficit of \$24,147,490 (June 30, 2020: deficit of \$918,048). Excluding the \$45,380,933 warrant derivative liabilities, which are expected to be settled through the issuance of common shares upon the exercise or expiration of the underlying common share purchase warrants, the Company had a working capital surplus of \$21,233,443 (June 30, 2020: deficit of \$709,280). Although the Company has a working capital surplus excluding the warrant derivative liabilities, the working capital surplus is expected to be utilized in the construction of the Molo Graphite Mine, commissioning of the processing plant, exploration and evaluation activities, development of value-added processing facilities, and general and administrative expenditures.

19. Financial Instruments and Risk Management

The following disclosures are to enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting period:

Liquidity risk and capital resource analysis

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. 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.

None of the Company's obligations have contractual maturities over the next 12 months. Accounts payable and accrued liabilities are generally due within 30 days. The warrant liabilities are expected to be settled through the issuance of common shares upon the exercise or expiration of the underlying common share purchase warrants. The royalty obligations are expected to be settled through minimum repayments starting in fiscal 2023 that will be funded through operating cash flows.

As of June 30, 2021, the Company had cash and cash equivalents of \$22,437,086 (June 30, 2020: \$222,305) to settle current liabilities of \$46,729,920 (June 30, 2020: \$1,173,376). Excluding the \$45,380,933 warrant derivative liabilities, which are expected to be settled through the issuance of common shares upon the exercise or expiration of the underlying common share purchase warrants, the Company had current liabilities of \$1,348,987 (June 30, 2020: \$964,608). Although the Company is not currently exposed to liquidity risk, a significant portion of the surplus cash is expected to be utilized to complete construction of the mine and to fund mine working capital and general and administrative expenditures over the next 12 months.

NextSource Materials Inc.

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

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19. Financial Instruments and Risk Management (continued)

As of June 30, 2021, the remaining Molo Graphite Mine construction costs were estimated at approximately \$18.4 million, mine working capital requirements were estimated at approximately \$1.3 million, and general and administrative expenditures until the completion of construction were estimated at \$3.0 million. As part of the royalty financing agreement, the Company will receive a further \$3.0 million from Vision Blue upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021. The Company expects to receive additional funding from the exercise of in-the-money warrants that are due to expire in October 2021 and July 2022. As a result, the Company believes its capital resources will be sufficient to complete construction of the mine and to fund mine working capital and general and administrative expenditures over the next 12 months. Should unexpected financial circumstances arise in the future, the Company may choose to decrease certain discretionary expenditures.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available. Based on management's assessment of its past ability to obtain required funding, the Company believes that it will be able to satisfy its current and long-term obligations as they come due.

Credit risk

The Company does not currently have commercial customers and therefore does not have any credit risk related to amounts receivables. 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 financial institutions.

Market risks

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign exchange rates, commodity prices and interest rates.

- **Interest rate risk:** This is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that are subject to variable interest rates.
- **Commodity price risks:** This is the sensitivity of the fair value of, or of the future cash flows, from mineral assets. The Company manages this risk by monitoring mineral prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets. The Company does not have any mineral assets at the development or production stage carried at historical cost. The Company has expensed the acquisition and exploration costs of its exploration stage mineral assets.

- **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 Euro and the South African Rand. The Company purchases services and has certain salary commitments in those 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 since it has not made any commitments to deliver products quoted in foreign currencies. The Company is not sensitive to foreign exchange risk arising from the translation of the financial statements of subsidiaries with a functional currency other than the US dollar since it does not have any material assets and liabilities measured through other comprehensive income. As of June 30, 2021, the Company estimated that a 10% decrease of the USD versus foreign exchange rates would result in a gain of \$1,463 (2020: loss of \$66,259).

	June 30, 2021	June 30, 2019
Cash and cash equivalents (CAD)	\$ 1,011,996	\$ 130,414
Cash and cash equivalents (MGA)	1,698	\$ 4,003
Amounts receivable (CAD)	73,707	7,513
Amounts receivable (MGA)	26	26
Accounts payable and accrued liabilities (CAD)	(137,329)	(383,006)
Accounts payable and accrued liabilities (MGA)	(30,574)	(1,061)
Accounts payable and accrued liabilities (EUR)	(166,869)	(177,654)
Provisions (CAD)	(738,022)	(242,829)
Net foreign exchange exposure in USD	<u>\$ 14,633</u>	<u>(662,594)</u>
Impact of 10% change in foreign exchange rates	<u>\$ 1,463</u>	<u>(66,259)</u>

NextSource Materials Inc.

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

(Expressed in US Dollars)

20. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 - 26.5%) to the effective tax rate is as follows:

	As at June 30, 2021	As at June 30, 2020
Net loss for the year	\$(41,960,484)	\$ (977,635)
Statutory rate	26.5%	26.5%
Expected income tax recovery	(11,119,530)	(259,073)
Other adjustments	63,830	22,553
Non-deductible expenses	-	(102,150)
Share cost of issue booked to equity	(30,060)	(2,070)
Share based compensation	992,210	
Change in value of warrant liability	9,668,900	
Utilization of losses not previously recognized	-	-
Change in tax benefits not recognized	<u>424,650</u>	<u>340,740</u>
Income tax (recovery)	<u>\$ -</u>	<u>\$ -</u>

Deferred Tax

The following table summarizes the components of deferred tax:

	As at June 30, 2021	As at June 30, 2020
Deferred tax assets		
Royalty obligation	\$ 318,060	\$ -
Share cost of issue	387,770	-
Operating tax losses carried forward	54,590	-
Subtotal of deferred tax assets	760,420	-
Deferred tax liabilities		
Royalty receivable	760,420	-
Subtotal of deferred tax liabilities	760,420	-
Net deferred tax asset (liability)	\$ -	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized Deferred Tax Assets

Deferred taxes are provided because of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at June 30, 2021	As at June 30, 2020
Canadian operating tax losses carry-forward	\$ 25,041,650	\$ 23,419,560
Capital losses carry-forward	53,000	53,000
Non-Canadian losses	1,465,890	1,316,520
Property, plant and equipment	188,560	188,980
Share cost of issue	-	128,300
Canadian exploration and development tax pools	3,754,990	4,198,270
Unrecognized deferred tax assets	\$ 30,504,090	\$ 29,304,630

NextSource Materials Inc.

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

(Expressed in US Dollars)

20. Income Taxes (continued)

The Canadian operating tax losses carry-forward will expire as noted in the table below. The capital losses carry forward may be carried forward indefinitely but can only be used to reduce capital gains. Non-Canadian losses will expire in 2025. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

	As at June 30, 2021
2027	627,560
2028	808,270

2029	817,410
2030	1,382,860
2031	1,948,650
2032	2,491,120
2033	2,077,470
2034	2,528,580
2035	2,013,770
2036	1,448,930
2037	1,837,300
2038	2,104,660
2039	1,777,140
2040	1,349,840
2041	1,828,090
Canadian operating tax losses carry-forward	<u>25,041,650</u>

Although NextSource redomiciled into Canada on December 27, 2017, the Company is treated as a United States corporation for United States federal income tax purposes and is subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, NextSource is treated as a Canadian resident company for Canadian income tax purposes. As a result, NextSource is subject to taxation both in Canada and the United States.

21. Subsequent events

On September 23, 2021, a total of 211,112 warrants priced at CAD\$0.90 were exercised into 211,112 common shares for gross proceeds of \$150,100.



NextSource Materials Inc.

Management's Discussion and Analysis (MD&A)

For the years ended June 30, 2021, and 2020

Expressed in US Dollars

1

**NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020**

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this document constitute forward-looking information within the meaning of applicable Canadian securities legislation. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "goal," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," or "believes" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur," or "be achieved".

Forward-looking information includes, but is not limited to, information with respect to certain expectations regarding obtaining necessary permits; construction timelines and costs; anticipated production volumes; anticipated operating costs and capital spending; supply, demand and pricing outlook in the graphite market; sources of funding for the Molo Graphite Mine and the Green Giant Vanadium Project; exploration drill results; metallurgical drill results; environmental assessment and rehabilitation costs and amounts of certain other commitments; 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 include, among others; uncertainty due to the Covid-19 Pandemic; development projects are uncertain, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production; the Company's development and exploration projects are in the African country of Madagascar and are subject to country political and regulatory risks; economic dependence on the Molo Graphite Mine; additional permits and licenses are necessary to complete the development of the Molo Graphite Mine; fluctuations in the market price of graphite and other metals may adversely affect and 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 may not have access to sufficient capital to develop Phase 2 of the Molo Graphite Mine and value-added processing facilities; 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 assets will not go into commercial production and the business will fail; 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 mineral exploration, there is a risk that the Company may incur liability or damages as the Company conducts business; the Company has no insurance for environmental problems; should the Company lose the services of key executives, the Company's financial condition and proposed expansion may be negatively impacted; because access to the Company's properties may be restricted by inclement weather or proper infrastructure, its exploration programs are likely to experience delays; 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; because from time to time the Company holds a significant portion of cash reserves in Canadian dollars, 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 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 the Company's ability to meet other factors listed from time to time in the Company's continuous disclosure documents, including but not limited to, the Annual Information Form (AIF).

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 herein the material assumptions upon which such forward-looking statements are 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 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 important 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 herein 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.

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 reliable, it 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.

**NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020**

INTRODUCTION

This Management's Discussion and Analysis (MD&A) dated September 28, 2021 of NextSource Materials Inc. ("NextSource", "we", "our" or "the Company") should be read in conjunction with Company's audited consolidated financial statements for the years ended June 30, 2021 and 2020 that were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") (the "Annual Financial Statements").

The Annual Financial Statements and this MD&A are presented United States dollars ("USD" or "\$"). Certain information in this MD&A is presented in Canadian dollars ("CAD\$"). The term "NSR" stands for net smelter royalty. The term "tpa" stands for tonnes per annum.

Additional information relating to the Company is available on the Canadian Securities Administrators' (the "CSA") SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's (the "SEC") website at www.sec.gov.

EXECUTIVE SUMMARY

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

NextSource is principally engaged in the development of mineral resources and value-added processing of flake graphite and other minerals into materials used in the manufacturing of batteries and other applications. The Company accepts the risks which are inherent to mineral exploration and development programs and exposure to the cyclical nature of mineral and commodity prices. These risks are discussed in greater detail in the *Risk Factors* section of this MD&A.

The Company does not currently operate any mines and has not completed the construction of any mines. No commercial revenue has been generated to date.

On February 15, 2019, the Company obtained a mining permit for its Molo Graphite Mine, located in Madagascar. On February 8, 2021, the Company announced a binding financing package totaling USD\$29.5 million for the construction of Phase 1 of the Molo Graphite Mine. On March 29, 2021, the Company initiated the construction process for the mine with the awarding of the engineering, procurement, and construction management contract.

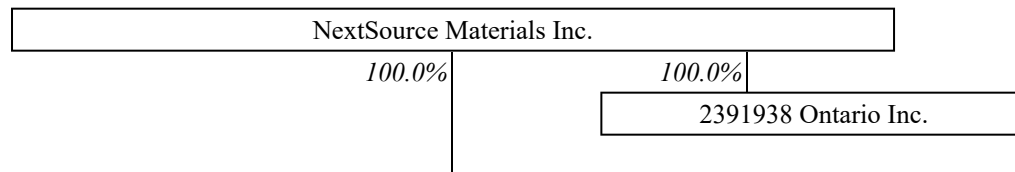
Site works are expected to begin in late 2021 and commissioning of the plant is expected to begin in May 2022 followed by a ramp up to the Phase 1 processing plant capacity of 240,000 tpa of ore over a period of two to three months. At full Phase 1 capacity, the Molo Graphite Mine is expected to produce approximately 17,000 tpa of high-quality SuperFlake® graphite concentrate.

The Company has initiated a technical study for a Molo Graphite Mine Phase 2 production capacity expansion to target 150,000 tonnes per annum ("tpa") of SuperFlake®. The Company has also initiated technical study related to its Green Giant Vanadium Project and in collaboration with its partners, has initiated a technical study related to value-added processing facilities capable of producing coated, spheronized and purified graphite.

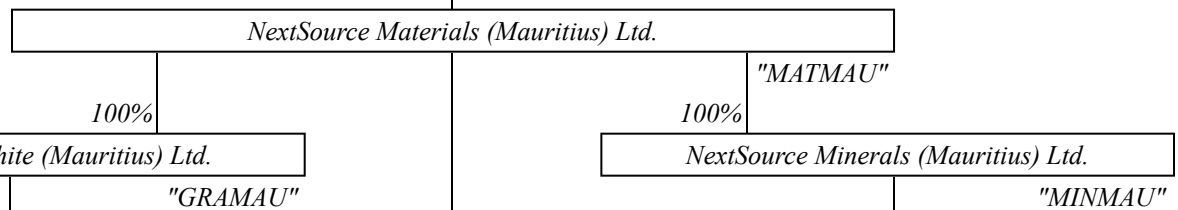
Corporate Structure

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

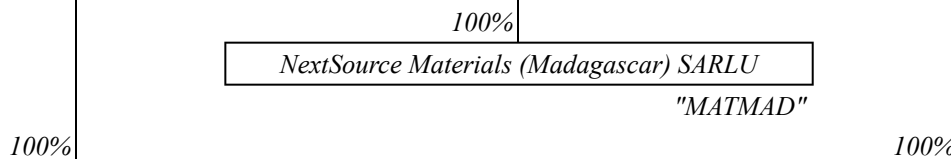
Canada



Mauritius



Madagascar



**NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020**

Dividends and Distributions

The Company has yet to pay any dividends since inception and is unlikely to do so in the immediate or foreseeable future.

Employees and Contractors

The Company relies on the geological and industry expertise of its management team and engages contractors to complete certain aspects of its mine development, mineral exploration and evaluation programs, and development of value-added processing facilities.

As of June 30, 2021, in addition to the Board of Directors, President & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and SVP Corporate Development, the Company had 2 employees. Certain professional, administrative, mine development and mineral exploration and evaluation services are provided to the Company by independent contractors, including corporations and/or individuals who may be officers or directors of NextSource. No assurance can be given that qualified employees can be retained by NextSource when necessary.

Cautionary Note about Operating Losses

As of June 30, 2021, the Company had incurred recurring operating losses resulting in an accumulated deficit of \$146,893,550. We anticipate incurring further operating losses until the completion of construction and successful commissioning of Phase 1 of the Molo Graphite Mine.

Operating cash flows from Phase 1 of the Molo Graphite Mine are not expected to be sufficient to fund the construction of the Phase 2 capacity expansion and construction of value-added processing facilities. Our future financial results are uncertain due to a number of factors, some of which are outside our Company's control. These factors include, but are not limited to: (a) our ability to complete construction of Phase 1 of the Molo Graphite Mine on time and on budget; (b) our ability to raise funding to cover potential working capital shortfalls, subsequent Molo Graphite Mine capacity expansions, the construction of value-added processing facilities, the completion of new mineral exploration and evaluation programs, and the potential acquisition of new mineral exploration and evaluation projects; (c) the market price for graphite and vanadium, which could impact expected revenues following the commissioning of the Molo Graphite Mine; (d) the results of the exploration programs and metallurgical analysis of our mineral properties; (e) the political instability and/or environmental regulations that may adversely impact construction and operating costs for the Molo Graphite Mine and our ability to operate in Madagascar; and (f) our ability to find joint venture and/or off-take partners in order to advance the development of our mineral properties and value-added processing facilities. Any future equity financing will cause existing shareholders to experience dilution of their ownership interest in our Company.

If operating cash flows from the Molo Graphite Mine are insufficient to fund operations and we are not successful in raising additional financing, we anticipate the Company will not be able to proceed with all or part of its existing business plan. In which case the Company may decide to discontinue or modify the current business plan and seek other business opportunities. As a public company, the Company needs to maintain periodic filings with the appropriate regulatory authorities and will continue to incur legal, accounting, administrative and listing costs. In the event the Company cannot raise additional capital to sustain operations, and cannot find other business opportunities, we may be forced to discontinue the business. We do not have any specific alternative business opportunities under consideration and have not planned for any such contingency.

GENERAL DEVELOPMENT OF THE BUSINESS

Strategy

The Company is focused on becoming a key producer of raw and value-added materials used in the manufacturing of batteries and other applications. To achieve this, the Company's strategy is to:

- Deliver on growth expectations by developing and operating mining projects and value-added materials processing facilities that will generate long-term free cash flows
- Build and maintain a high-quality project pipeline to ensure we advance and develop successful projects
- Adhere to the highest environmental, social and governance standards

Three-Year History

On August 17, 2018, the Company closed a non-brokered private placement offering of 2,105,927 units at a price of \$0.53 (CAD\$0.70) per unit for aggregate gross proceeds of \$1,120,385 (CAD\$1,474,149). Each unit consisted of one common share and one-half common share purchase warrant, with each warrant exercisable into one common share at an exercise price of \$0.76 (CAD\$1.00) for a period of two years.

NEXTSOURCE MATERIALS INC. MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2021, and 2020

On October 16, 2018, the Company announced the signing of an Offtake Agreement with the primary graphite supplier to a major Japanese electric vehicle anode producer. The Offtake Agreement is for a period of ten (10) years and activates on the commencement of commercial production at the Molo project, with an automatic renewal for an additional five (5) years. The Japanese Partner will have the exclusive right to import and sell SuperFlake® graphite concentrate in Japan. Provided that commercial production commences within 3 years, following the ramp up period, the Japanese Partner will purchase 20,000 tonnes of SuperFlake® graphite per annum. Product prices will be negotiated on a per order basis between the parties and will be based on the floating market prices (FOB basis) prevailing in the region.

On February 15, 2019, the Company announced the Madagascar Government granted a 40-year mining license for the Molo Graphite Mine and that the mining license does not limit mining to any specific volume.

On March 7, 2019, the Company closed a non-brokered private placement offering of 1,608,643 common shares at a price of \$0.80 (CAD\$1.10) per common share for aggregate gross proceeds of \$1,323,630 (CAD\$1,769,507).

On April 11, 2019, the Company announced it had received the Global Environmental Permit for the Molo Graphite Mine from the Madagascar Ministry of Environment's Office National pour l'Environnement (the National Office for the Environment; or "ONE"). This follows the completion of the Environmental & Social Impact Assessment ("ESIA") and Relocation Action Plan ("RAP") to International Finance Corporation (IFC) performance standards and World Bank standards, the completion of local and regional stakeholder and community engagement, and the completion of negotiations and signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed.

On September 27, 2019, the Company reported the results of a new Feasibility Study ("FS") for its 100%-owned Molo Graphite Project in southern Madagascar. The FS outlines a phased development approach with Phase 1 producing 17,000 tonnes per annum ("tpa") over the first two years of production and Phase 2 producing a total of 45,000 tpa by year 3. Over the modelled life of mine (30 years), the production plants will have a pre-tax internal rate of return ("IRR") of 43.1%, and a post-tax IRR of 36.2%. The pre-tax Net Present Value ("NPV") at 8% discount rate will be US\$237.1M, and the post-tax NPV will be US\$184.3M. The FS results are summarized in further detail in the Mineral Development Projects section.

On October 24, 2019, the Company announced the successful registration of Molo SuperFlake® as a trademark in Canada. The successful registration of this trademark means that NextSource has the exclusive right to brand all of its natural flake graphite sold in Canada as Molo SuperFlake® from its Molo Graphite Project in Madagascar.

On October 25, 2019, the Company closed a non-brokered private placement offering of 2,907,777 units at a price of \$0.34 (CAD\$0.45) per unit for aggregate gross proceeds of \$998,620 (CAD\$1,308,500). Each unit consisted of one common share and one-half common

share purchase warrant, with each warrant exercisable into one common share at an exercise price of \$0.70 (CAD\$0.90) for a period of two years. There were no finder's fees in relation to the private placement.

On September 27, 2019, Quentin Yarie resigned as a director of the Company.

On December 2, 2019, Christopher Kruba and David McNeely became directors of the Company.

On January 23, 2020, John Sanderson and Dalton Larson resigned as directors of the Company and Dean Comand was appointed as Chair of the Board of Directors.

On April 9, 2020, the Company announced that it executed a Letter of Agreement ("LOI") with its Japanese offtake partner and a leading Chinese processor of graphite anode material to collaborate on the construction of a value-add, battery anode plant in a jurisdiction that is proximal to the Company's Molo Graphite Mine project in Madagascar.

On July 2, 2020, the Company completed a non-brokered private placement of 6,157,887 units at a price of \$0.24 (CAD\$0.325) per unit for gross proceeds of \$1,476,571 (CAD\$2,001,310). Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.48 (CAD\$0.65) per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$9,293 in share issuance costs.

On July 20, 2020, Brett Whalen became a director of the Company. On August 24, 2020, the Company announced the appointment of Brett Whalen as Chair of the Board of Directors.

**NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020**

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue Resources Limited ("Vision Blue") to provide a financing package (the "Financing Package") for total gross proceeds of USD\$29.5M. The proceeds of the Financing Package will be used to complete construction of Phase 1 of the Company's Molo Graphite Mine. The Financing Package consisted of an initial private placement of \$6.0 million that was completed on March 15, 2021, a second private placement for \$12.5 million that was completed on May 19, 2021, and a royalty financing that was completed on June 28, 2021, when the Company received an initial \$8.0 million, less a \$1.5 million royalty financing fee, and will receive another \$3.0 million once it has reached 80% of capital expenditures related to the construction of the Molo Graphite Mine. The Molo Graphite Mine will be subject to minimum royalty payments and a 3.0% royalty. The Green Giant Vanadium Project will be subject to a 1.0% royalty. In connection with the initial private placement, the Company granted Vision Blue the right to appoint two directors to the Board of the Company. The Chairman of Vision Blue, Sir Mick Davis, was appointed as Chair of the Board of Directors of the Company on March 15, 2021. The second Vision Blue appointee, Ian Pearce, was appointed to the Board of Directors of the Company on July 14, 2021. Vision Blue was granted a right of first refusal to finance the Phase 2 expansion of the Molo Graphite Mine, and if Vision Blue holds common shares representing at least 10% of the issued and outstanding common shares, a right to participate in future equity financings on the same terms as such financing to maintain its ownership percentage in the Company. Vision Blue is subject to a 1-year lock-up from the closing of the Initial Private Placement with a periodic release schedule. In addition, each of the Directors and Officers of the Company have agreed to similar lock-up periods for the securities they hold.

On March 15, 2021, the Company completed the initial private placement with Vision Blue consisting of 12,000,000 common shares at a price of CAD\$0.65 per share for total gross proceeds of \$6,000,000 (CAD\$7,800,000). In connection with the non-brokered private placement, the Company incurred \$16,367 in share issuance costs. The Company also announced the appointment of Mick Davis as Chair of the Board of Directors.

On March 29, 2021, the Company announced the initiation of the construction process for the Molo Graphite Mine in Madagascar with the awarding of the engineering, procurement, and construction management contract.

On April 12, 2021, the Company announced a binding partnership agreement to construct and operate its own turnkey spheronized and purified graphite ("SPG") production facility. SPG is a key component of lithium-ion batteries such as those used in electric vehicle

("EV") and hybrid vehicle applications. The partnership involves Japanese and Chinese companies that currently operate their own SPG facilities that provide SPG to leading Japanese lithium-ion battery makers that are within the supply chains of Tesla and other major EV automotive companies. Proposed locations for the facility include South Africa, Europe, or North America. The Company will determine the initial production capacity and will then initiate a technical study to determine capital and operating costs for the proposed locations. Construction of one or more of these SPG production facilities will be subject to obtaining a positive technical study and securing sufficient funding for construction and initial working capital. Commissioning of the first SPG production facility is being targeted for Q4 2022. The Chinese partner will design and develop the process flowsheets, source all necessary graphite processing equipment, and will provide all the necessary training and operational know-how necessary for the production SPG material. In return, the Chinese partner will receive a 3% licensing fee based on the total annual sales value of anode material sold. The Japanese partner will leverage its sales relationships and will act as NextSource's exclusive agent for sales, marketing and trading of anode battery materials sold to OEM anode suppliers and to OEMs directly. In return, the Japanese partner will receive a 5% sales commission based on the total annual sales value of anode battery material sold.

On May 11, 2021, the Company announced it initiated the procurement of processing plant equipment for the Molo Graphite Mine.

On May 19, 2021, the Company completed the second private placement with Vision Blue consisting of 23,214,286 units at a price of CAD\$0.65 per unit for total gross proceeds of \$12,500,000 (CAD\$15,089,286). Each unit consisted of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$1.00 per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$87,788 in share issuance costs.

On May 25, 2021, the Company announced that following a multi-year verification process, *thyssenkrupp* entered into a long-term partnership with NextSource and signed an offtake agreement to secure SuperFlake® graphite concentrate for their refractories/foundries, expandable graphite (graphite foil) and battery anode production businesses. The key highlights are:

- Commercial agreement for the sale of 35,000 tpa of SuperFlake® graphite concentrate from the Molo mine
- 10-year term with an automatic 5-year extension
- Products under the agreement pertain to refractory, battery anode production and expandable graphite (graphite foil) markets
- Geographical regions include, but are not limited to, Europe, the UK, North America, Mexico, China and South Korea
- Minimum 7,300 tpa during Phase 1 initial production
- Ramp up to 35,000 tpa in Phase 2
- Shipments in Phase 1 will be used to verify run-of-mill production to trigger the larger volume expansion

On June 23, 2021, the Company announced the initiation of a technical study for a Phase 2 production capacity to target 150,000 tpa of SuperFlake® for its Molo Graphite Mine in Madagascar. This is an increase from the 2019 Feasibility Study that considered a Phase 2 production capacity of 45,000 tpa. The new minimum targeted capacity was determined after recent discussions with our flake graphite offtake partners and with our partnership for the construction of a battery anode facility ("BAF") to produce spheronized and purified graphite ("SPG"). The purpose of the technical study is to determine the project economics pertaining to this increase in targeted production for Phase 2.

On June 28, 2021, the Company received the royalty funding from Vision Blue consisting of \$8.0 million, less a US\$1.5 million royalty financing fee. The Company will receive a further \$3.0 million upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021. In return for the royalty funding, the Company will pay to Vision Blue the greater of: (i) US\$1.65 million per annum or (ii) 3% of the gross revenues from SuperFlake® concentrate sales (the "GSR"). Once Vision Blue has received a cumulative royalty payment of US\$16.5 million, the GSR will be calculated as 3% of the gross revenues from the Company's SuperFlake® sales. NextSource will have the option at any time to reduce the GSR to 2.25% upon payment to Vision Blue of US\$20 million. The Company may delay the first-year minimum repayments, which will become subject to accrued interest of 15% per annum. Vision Blue will also receive a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide ("V₂O₅") from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅.

On July 14, 2021, the Company announced the appointment of Ian Pearce to the Board of Directors and the resignation of David McNeely as a Director of the Company.

On July 22, 2021, the Company announced that it has been accepted as a member of both the European Battery Alliance (“EBA”) and the European Raw Materials Alliance (“ERMA”).

On September 8, 2021, the Company announced it intends to assess emerging opportunities to accelerate expansion through the potential acquisition and development of additional metals and mineral assets that are expected to play a vital role in clean energy technologies.

MINERAL DEVELOPMENT PROJECTS

The following section contains “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws. The Company continues to monitor the implications of the Covid-19 Pandemic. The manner and extent that the pandemic, and measures taken as a result of the pandemic by governments and others, will affect the Company in ways that cannot be predicted with certainty. See the *Cautionary Statement Regarding Forward-Looking Information and Uncertainty due to the Covid-19 Pandemic* in this MD&A for a discussion of assumptions and risks relating to such statements and information and a discussion of certain risks facing the Company relating to the pandemic.

Molo Graphite Mine, Southern Madagascar Region, Madagascar

Overview and Project Plan

The Molo Graphite Mine project is located near the town of Fotadrevo in the Province of Toliara, Madagascar.



On February 15, 2019, the Company announced the Madagascar Government granted a 40-year mining license for the Molo Graphite Mine and that the mining license does not limit mining to any specific volume.

On March 29, 2021, the Company announced the initiation of the construction process for the Molo Graphite Mine in Madagascar with the awarding of the engineering, procurement, and construction management contract.

On May 11, 2021, the Company announced it initiated the procurement of processing plant equipment for the Molo Graphite Mine.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended June 30, 2021, and 2020

Total construction costs excluding working capital have been estimated at \$21.7 million. All construction activities are expected to be completed by June 30, 2022. As of June 30, 2021, the Company had already incurred \$3.6 million in capital costs and the remaining construction costs were estimated at approximately \$18.4 million, mine working capital requirements were estimated at approximately \$1.3 million, and general and administrative expenditures until June 30, 2022 were estimated at \$3.0 million. As part of the royalty financing agreement, the Company will receive a further \$3.0 million from Vision Blue upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021. As a result, the Company believes its capital resources will be sufficient to complete construction of the mine and to fund mine working capital and general and administrative expenditures.

The processing plant equipment is currently being assembled offshore and is expected to begin arriving in Madagascar in late 2021 and will then be transported overland and installed at the mine site in Q1 2022. Mine-site construction activities are expected to begin in late 2021. Open pit pre-production mining activities are expected to begin in Q1 2022. Commissioning of the plant is expected to begin in May 2022, followed by a ramp up over a period of two to three months to the Phase 1 nameplate capacity of 240,000 tpa of ore. At full Phase 1 capacity, the Molo Graphite Mine is expected to produce approximately 17,000 tpa of high-quality SuperFlake® graphite concentrate.

The application for all necessary permits to construct and operate the mine, including water use, facilities construction, mineral processing, transportation, export, and labour have been initiated and are expected to be obtained as they are required.

The following is a rendering of the completed Phase 1 processing plant:



Phase 2 Expansion

On June 23, 2021, the Company announced the initiation of a technical study for a Phase 2 production capacity to target 150,000 tpa of SuperFlake® for its Molo Graphite Mine in Madagascar. This is an increase from the 2019 Feasibility Study, which considered a Phase 2 production capacity of 45,000 tpa.

The expanded Phase 2 production capacity was determined after recent discussions with our flake graphite offtake partners and with our partnership for the construction of a value-added processing facility to produce spheronized graphite (“SPG”). The purpose of the technical study is to determine the project economics for the expanded Phase 2.

Construction of the Phase 2 expansion is expected to begin after completion of Phase 1 and is subject to the technical report supporting positive economics and obtaining sufficient funding to complete construction.

Global market for and supply of flake graphite

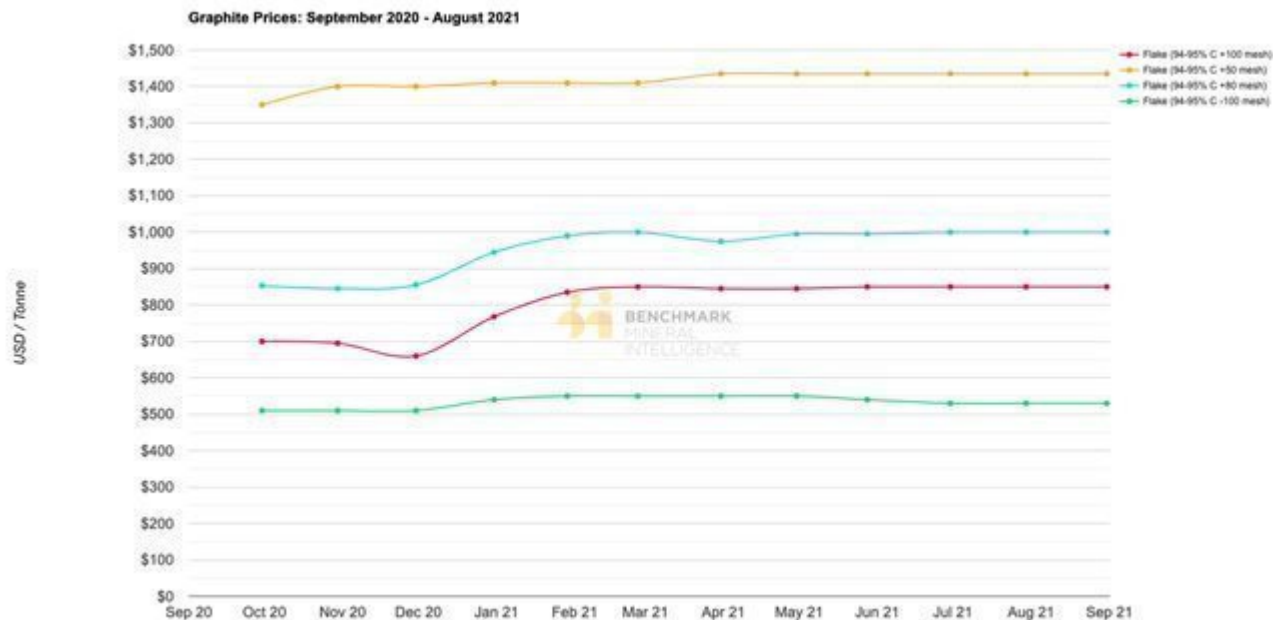
Benchmark Intelligence estimated that global flake graphite demand in 2020 was approximately 900,000 tonnes and is expected to increase significantly over the next ten years due to increasing demand for lithium-ion batteries used in electric vehicles. A rule of thumb is that approximately 1.1 tonnes of flake graphite (2,500 lbs) is required for each 1GWh of electric vehicle capacity. Benchmark Intelligence has further estimated that global battery manufacturing capacity in 2020 was approximately 755 GWh and is set to increase by 2030 to 3,400 GWh through the construction of up to 200 new gigafactories. As a result, global flake graphite demand in 2030 is estimated at approximately 4,000,000 tonnes, which exceeds the existing global supply.

NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020

Benchmark Intelligence estimated that the global flake graphite market was in relative balance in recent years but has moved from an oversupply of 226,000 tpa in 2018 to a deficit of approximately 60,000 tpa in 2021. Flake graphite demand is forecast to exceed global supply by approximately 430,000 tpa by 2026 and increasing to approximately 1,888,000 tpa by 2030. The supply response for natural flake graphite is expected to be constrained by technical challenges, capital costs, development timelines and operating economics. The supply response for synthetic flake graphite is expected to be constrained by the economics and availability of petroleum needle coke, which is its primary raw material feedstock for synthetic graphite and is also in demand for use in the steel making industry.

As an industrial mineral, flake graphite pricing is determined by three factors: 1) flake size, 2) carbon purity and 3) industry-specific technical attributes of the flakes. Flake sizing is broadly classified into four ranges: small (-100 mesh, or <75µm) medium (-80 to 100 mesh, or 75µm to 180µm), large (-50 to 80 mesh, or 180µm to 300µm), and extra-large or jumbo (+50 mesh, or >300µm). These flake sizes are in turn classified by carbon content ("C"), and are typically sold in ranges of 88-93% C, 94-95% C, and 95-97% C. The specific technical attributes of the flakes are then defined by end-user parameters such as expansion coefficient, thermal and electrical conductivity, and charge-discharge stability and efficiency. Larger flake size is generally sold at a premium to smaller flake sizes, and higher purity products (e.g., above 94%) are sold at a premium to lower purity products. Pricing is further impacted by the regional location of supply.

Transactions in the flake graphite market are generally based on private negotiations between buyers and sellers, as a result there is no spot or forward market. Research companies such as Benchmark Mineral Intelligence ("Benchmark") and Roskill Information Services ("Roskill") estimate current and historical pricing based on their proprietary market research and publish forward estimates for select grades and product types. Benchmark has estimated the following average FOB China 94-95% C flake graphite market prices for different mesh sizes during the past 12 months. Benchmark has not estimated the flake graphite market prices for 96-98% C flake graphite, which is the yield expected to be produced by the Molo Graphite Mine and is typically sold at a premium to 94-95% C flake graphite.



Sales, Marketing and Offtakes of SuperFlake® Graphite

Independent testing by various third-party end users of flake graphite was announced by the Company in 2015 that confirmed that flake graphite concentrates from the Molo Graphite Mine meets or exceeds quality requirements for all major end-markets of natural flake graphite. The major end-markets for flake graphite include refractories, graphite anode materials used in lithium-ion batteries, specialty graphite foils used as essential components in the chemical, aeronautical and fire-retardant industries, and graphene used in high-end ink and substrate applications.

The Feasibility Study confirmed that Molo flake graphite concentrate has an excellent flake size distribution that is well above the global average, with 46.4% classified as +80 mesh (large), +65 mesh (extra-large) and +48 mesh (jumbo) mesh in flake size, which includes 23.6% as +48 mesh and greater in flake size. The concentrate also has excellent thermal expansion, can be upgraded to 99.97% purity and contains no deleterious substances and has high crystallinity.

In response, NextSource has registered SuperFlake® as a trademark for the Molo flake graphite concentrate in the United States, Canada, Japan, South Korea, U.K. and the European Union. These are the top demand markets for flake graphite and the countries where NextSource intends to sell its SuperFlake® graphite material.

NEXTSOURCE MATERIALS INC. MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2021, and 2020

The Company expects to sell most of the flake graphite produced at the Molo Graphite Mine through offtakes with several key customers.

On October 16, 2018, the Company announced a binding offtake agreement for the supply of SuperFlake® graphite concentrate with a prominent Japanese Trading Company that is a primary supplier of flake graphite to a major Japanese electric vehicle anode producer. To protect certain confidential aspects of the agreement, the Japanese Trading Company and the Japanese electric vehicle anode producer requested not to be identified. The key highlights are:

- Offtake is for a period of ten (10) years, beginning at the start of commercial production at the Molo Graphite Mine, with an automatic renewal for an additional five (5) years.
- Exclusive right to import and sell SuperFlake® graphite concentrate in Japan.

- Provided that commercial production commences within 3 years, following the ramp up period, the Japanese Partner will purchase 20,000 tonnes of SuperFlake® graphite per annum.
- Product prices will be negotiated on a per order basis between the parties and will be based on the market prices (FOB basis) prevailing in the region.

On May 25, 2021, the Company announced that following a multi-year verification process, *thyssenkrupp* entered into a long-term partnership with NextSource and signed an offtake agreement to secure SuperFlake® graphite concentrate for their refractories/foundries, expandable graphite (graphite foil) and battery anode production businesses. The key highlights are:

- Commercial agreement for the sale of 35,000 tpa of SuperFlake® graphite concentrate from the Molo mine
- 10-year term with an automatic 5-year extension
- Products under the agreement pertain to refractory, battery anode production and expandable graphite (graphite foil) markets
- Geographical regions include, but are not limited to, Europe, the UK, North America, Mexico, China and South Korea
- Minimum 7,300 tpa during Phase 1 initial production
- Ramp up to 35,000 tpa in Phase 2
- Shipments in Phase 1 will be used to verify run-of-mill production to trigger the larger volume expansion

Royalty

On June 28, 2021, the Company received the royalty funding from Vision Blue consisting of \$8.0 million, less a US\$1.5 million royalty financing fee. The Company will receive a further \$3.0 million upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021. In return for the royalty funding, the Company will pay to Vision Blue the greater of: (i) US\$1.65 million per annum or (ii) 3% of the gross revenues from SuperFlake® concentrate sales (the “GSR”). Once Vision Blue has received a cumulative royalty payment of US\$16.5 million, the GSR will be calculated as 3% of the gross revenues from the Company’s SuperFlake® sales. NextSource will have the option at any time to reduce the GSR to 2.25% upon payment to Vision Blue of US\$20 million. The Company may delay each individual minimum payments for a period of 12 months, whereby each deferred payment will be subject to accrued interest of 15% per annum. At this time, the Company expects to defer the minimum payments and as a result, the first minimum payment is expected to be completed on June 30, 2023.

Exploration and Evaluation

The Molo Graphite Project is one of seven surficial graphite trends discovered and drill tested by NextSource in late 2011 and announced to the market in early January 2012. The Molo deposit itself occurs in a flat, sparsely populated and dry savannah grassland region that has easy access via a network of seasonal secondary roads.

The Molo Graphite Project graphitic zone consists of multi-folded graphitic strata at surface with an exposed strike length of over two kilometres. Outcrop mapping and trenching on the Molo Graphite Project has shown the surface geology to be dominated by resistant ridges of graphitic schist and graphitic gneiss, as well as abundant graphitic schist float. Geological modeling has shown that the Molo Graphite Project deposit consists of various zones of mineralized graphitic gneiss, with a barren footwall composed of garnetiferous gneiss. The host rock of the mineralized zones on the Molo Graphite Project is graphitic gneiss.

Resource delineation, drilling and trenching on the Molo Graphite Project took place between May and November of 2012. This resulted in a maiden mineral resource estimate that formed the basis for the Company’s Preliminary Economic Assessment (the “PEA”), which was undertaken by DRA Mineral Projects and released in 2013.

The positive outcome of the PEA led NextSource to undertake another phase of exploratory drilling and sampling in 2014 to upgrade the deposit and its contained mineral resources to mineral reserves. The process included an additional 32 diamond drill holes (totaling 2,063 metres) and 9 trenches (totaling 1,876 metres). The entire database upon which the upgraded resource estimate was based contained 80 drill holes (totaling 11,660 metres) and 35 trenches (totaling 8,492 metres). This mineral resource formed the basis of the first feasibility study, which was released in February 2015, and for the September 2019 Feasibility Study.

The resource remains open along strike and to depth. The Company does not have any immediate plans to complete any further drilling to expand the resource.

NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020

Resource and Reserve Estimate

The current mineral resource estimate for the Molo Graphite Project is summarised below consisting of the resource categories, the tonnage, the carbon grade (“C%”) and the contained graphite (“C”) tonnage. A cut-off grade of 4% C was used for the “higher grade” zones and 2% C for the “lower grade” zones. The mineral resources are classified in the Measured, Indicated and Inferred categories as defined by the Canadian Institute of Mining, Metallurgy and Petroleum definition standards.

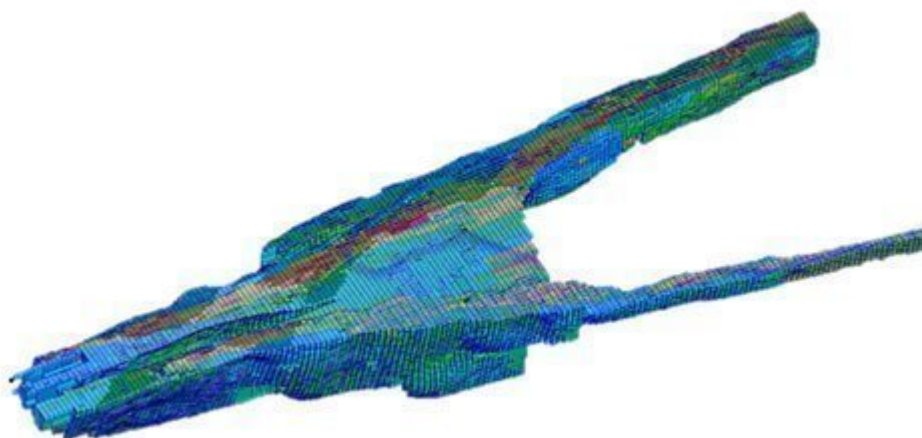
Classification	Tonnage (Mt)	Grade (C%)	Graphite (C Mt)
Measured	23.62	6.32%	1.49
Indicated	76.75	6.25%	4.80
Measured & Indicated	100.37	6.30%	6.29
Inferred	40.91	5.78%	2.36

The Mineral Resources above are inclusive of the Mineral Reserves below.

Classification	Tonnage (Mt)	Grade (C%)
Proven	14.17	7.00%
Probable	8.37	7.04%
Proven & Probable	22.44	7.02%

Readers are cautioned to refer to the *2019 Feasibility Study* for all the material assumptions, qualifications and verification procedures relating to the current mineral resource and mineral reserve estimate for the Molo Graphite Project.

The following is a graphical representation of the shape of the mineral resource, which has been extracted from the *2019 Feasibility Study*.



History

On December 14, 2011, the Company entered into a Definitive Joint Venture Agreement (“JVA”) with Malagasy Minerals Limited (“Malagasy”), a public company listed on the Australian Stock Exchange, to acquire a 75% interest in a property package for the exploration and development of industrial minerals, including graphite, vanadium and 25 other minerals. The land position consisted of 2,119 permits covering 827.7 square kilometers and is mostly adjacent towards the south and east with the Company’s 100% owned Green Giant Vanadium Project. Pursuant to the JVA, the Company paid \$2,261,690 and issued 750,000 common shares that were valued at \$1,350,000.

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together “the Agreements”) with Malagasy to acquire the remaining 25% interest, subject to Malagasy retaining a 1.5% net smelter royalty. Pursuant to the Agreements, the Company paid \$364,480 (CAD\$400,000), issued 250,000 common shares subject to a 12-month voluntary vesting

period that were valued at \$325,000 and issued 350,000 common share purchase warrants, which were valued at \$320,950 using Black-Scholes, with an exercise price of \$0.14 and an expiry date of April 15, 2019. On May 20, 2015, upon completion of a bankable feasibility study (“BFS”) for the Molo Graphite Property, the Company paid \$546,000 (CAD\$700,000) and issued 100,000 common shares, which were valued at \$100,000. A further cash payment of approximately \$771,510 (CAD\$1,000,000) will be due within five days of the commencement of commercial production. The Company also acquired a 100% interest in the industrial mineral rights on approximately 1 ½ additional claim blocks covering 10,811 hectares adjoining the east side of the Molo Graphite Property. Prior to becoming a Director of the Company, Brett Whalen purchased an option to acquire the 1.5% NSR from Malagasy, upon the mine achieving commercial production, in return for a further payment to Malagasy.

NEXTSOURCE MATERIALS INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
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The Molo Graphite Project is located within Exploration Permit #3432 (“PR 3432”) as issued by the Bureau de Cadastre Minier de Madagascar (“BCMM”) pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The Molo Graphite Project exploration permit PR 3432 is currently held under the name of our Madagascar subsidiary, which has paid all taxes and administrative fees to the Madagascar government and its mining ministry with respect to all the mining permits held in country. These taxes and administrative fee payments have been acknowledged and accepted by the Madagascar government.

On June 1, 2017, we released the results of an updated Molo Feasibility Study utilizing a fully modular approach which was based on the FEED Study and subsequent detailed engineering studies.

During fiscal 2017, the Company applied to the BCMM to have the exploration permit for the Molo Graphite Project converted into a mining permit.

Following an Environmental Legal Review and an Environmental and Social Screening Assessment, which provided crucial information to align the project’s development and design with international best practice on sustainable project development, the Company completed a comprehensive Environmental and Social Impact Assessment (“ESIA”), which was developed to local Madagascar (“Malagasy”), Equator Principles, World Bank and International Finance Corporation (“IFC”) standards. The ESIA was submitted to the Office National d’Environment (“ONE”) (the Madagascar Environment Ministry) during fiscal 2018.

On February 15, 2019, the Company announced the Madagascar Government granted a 40-year mining license for the Molo Graphite Mine and that the mining license does not limit mining to any specific volume.

On April 11, 2019, the Company announced it had received the Global Environmental Permit (“GEP”) for the Molo Graphite Mine from the Madagascar Ministry of Environment’s Office National pour l’Environnement (the National Office for the Environment; or “ONE”). The GEP was based on ESIA and a Relocation Action Plan (“RAP”) that involved the completion of local and regional stakeholder and community engagement, and the completion of negotiations and signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed.

On September 27, 2019, the Company reported the results of an updated Feasibility Study (“FS”) consisting of two phases:

PHASE 1: Production of 17,000 tpa of graphite concentrate

The first phase of production will consist of a fully operational and sustainable graphite mine with a permanent processing plant capable of processing 240,000 tpa of ore producing approximately 17,000 tpa of graphite concentrate per year over a 30-year life of mine. The estimated capital costs for Phase 1 including contingencies were estimated at US\$21.0 million and construction was expected to take approximately 12 months to complete. Phase 1 costs including contingency and working capital were estimated at US\$24.1 million.

PHASE 2: Production expansion to 45,000 tpa of graphite concentrate in Year 3

Phase 2 assumes that Phase 1 is achieved and operates for two years followed by the completion of the Phase 2 expansion in the third year resulting in a combined 720,000 tpa of ore producing 45,000 tpa of graphite concentrate per year over a 30-year life of

mine. The Phase 2 expansion is based on the construction of two additional Phase 1 processing plant modules over a construction period of 12 months. Phase 2 capital costs including all Phase 1 capital costs and contingency were estimated at US\$60.1 million. Phase 2 capital costs including all Phase 1 capital costs, contingency and working capital were estimated at US\$67.4 million. Additional sustaining capital for equipment replacement over the 30-year life of mine and closure costs was estimated at \$3.3 million.

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue to provide the Financing Package for total gross proceeds of USD\$29.5M. The proceeds of the Financing Package will be used to complete construction of Phase 1 of the Company's Molo Graphite Mine. The Financing Package consisted of an initial private placement of \$6.0 million that was completed on March 15, 2021, a second private placement for \$12.5 million that was completed on May 19, 2021, and a royalty financing agreement that was completed on June 28, 2021, when the Company received an initial \$8.0 million, less a \$1.5 million royalty financing fee, and will receive another \$3.0 million once it has reached 80% of capital expenditures related to the construction of the Molo Graphite Mine. The Molo Graphite Mine will be subject to minimum royalty payments and a 3.0% royalty. Vision Blue was granted a right of first refusal to finance the Phase 2 expansion of the Molo Graphite Mine.

On March 29, 2021, the Company announced the initiation of the construction process for the Molo Graphite Mine in Madagascar with the awarding of the engineering, procurement, and construction management contract.

On May 11, 2021, the Company announced it initiated the procurement of processing plant equipment, which will be assembled offshore then shipped to Madagascar in late 2021.

**NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020**

Feasibility Study Summary

On September 27, 2019, the Company reported the results of an updated Feasibility Study ("FS") consisting of two phases. Phase 1 consisted of production of 17,000 tpa of finished SuperFlake® concentrate for the first two years of production, followed by an expansion to Phase 2 production of 45,000 tpa. The FS considered mine capital equipment and mining costs, as well as the 12-month rolling flake graphite pricing on a Freight-on-Board ("FOB") China basis, supplied by UK-based battery mineral commodities research firm, *Benchmark Minerals Intelligence*. The FS incorporated the procurement of all mining equipment, off-site modular fabrication and assembly, factory acceptance testing, module disassembly, shipping, plant infrastructure construction, onsite module re-assembly, commissioning, project contingencies and working capital. All capital and operating costs expressed for Phase 1 are accurate to +/- 10%, and Phase 2 are accurate to +/- 12.5%.

Description	Phase 1 and 2	
	Pre-Tax	Post-Tax
NPV (8% Discount Cash Flow) ⁽¹⁾⁽²⁾	\$237.1	\$184.3
IRR ⁽¹⁾⁽²⁾	43.1%	36.2%
Payback ⁽²⁾	3.4 years	3.8 years
Capital cost ("CAPEX")	\$ 60,082,340	
Owners Contingency	\$ 6,670,430	
On-site Mining Costs ("OPEX") per tonne of concentrate, (year 3 onward)	\$ 82.69	
On-site Processing Costs ("OPEX") per tonne of concentrate, (year 3 onward)	\$ 270.27	
Transportation per tonne of concentrate (mine site to Madagascar Port year 3 onward)	\$ 133.01	
Average annual production of concentrate	45,136	
	tonne	
Life of Mine ("LOM")	30 years	
Graphite concentrate sale price (US\$/tonne at Start Up - 2017)	\$ 1,208	
Average Head Grade	7.1%	

Average ore mined per annum over Life of Mine	720,000 tonne
Average stripping ratio	0.53:1
Average carbon recovery	88.30%

Notes:

(1) Assumes Project is financed with 100% equity. Unless otherwise noted, all monetary figures presented are expressed in US dollars (USD).

(2) CAPEX includes process equipment, civil & infrastructure, mining, buildings, electrical infrastructure, project & construction services. Values shown are based on real graphite sales pricing

	Phase 1 (240ktpa)	Phase 1 and 2 (720ktpa)
CAPEX and Working Capital		
Process Equipment	\$ 8,438,609	\$ 25,315,827
Civil & Infrastructure	\$ 2,103,672	\$ 6,661,016
Tailings	\$ 0.00	\$ 0.00
Mining	\$ 2,574,143	\$ 4,913,341
Buildings	\$ 1,154,609	\$ 2,886,523
Electrical Infrastructure	\$ 128,804	\$ 386,412
Project Services/EPCM	\$ 931,481	\$ 2,794,445
Construction Services	\$ 1,474,775	\$ 3,686,937
Indirect Costs	\$ 372,750	\$ 1,118,250
Environmental & Permitting costs	\$ 729,827	\$ 1,459,655
Owner's Costs	\$ 1,197,000	\$ 4,189,500
Sub-total	\$ 19,105,673	\$ 53,411,909
Contingency (10%/12.5%)	\$ 1,910,567	\$ 6,676,488
3 Months Working Capital	\$ 3,100,000	\$ 7,300,000
CAPEX AND WORKING CAPITAL TOTAL	\$ 24,116,241	\$ 67,388,398
Sustaining CAPEX over Life of Mine		\$ 3,300,000

NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020

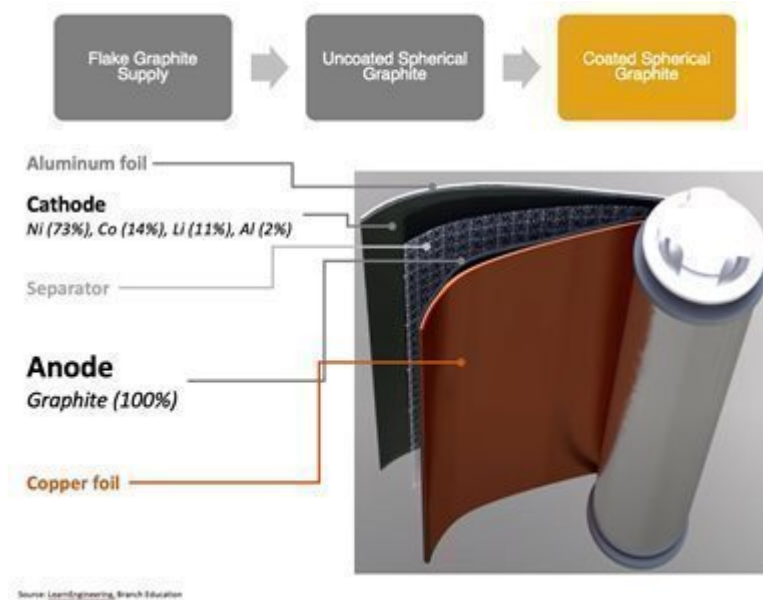
Operating Costs	Phase 1	Phase 2
	Operating cost	
Mining (US\$/T)	102.81	65.34
Processing (US\$/T)	265.82	265.82
Trucking to local port / Ft. Dauphin (US\$/T)	133.01	133.01
General and Administration (US\$/T)	64.29	50.00
TOTAL	\$ 565.93	\$ 514.17

The 2019 Feasibility Study technical report has been filed under the Company's profile and on SEDAR at www.sedar.com, and is posted on NextSource's website at www.nextsourcematerials.com. Please see "Molo Feasibility Study, National Instrument 43-101 Technical Report on the Molo Graphite Project located near the village of Fotadrevo in the Province of Toliara, Madagascar Prepared by Erudite Strategies (Pty) Ltd" dated May 31, 2019 for certain other details and assumptions relating to the above mineral resource and reserve estimates and data verification procedures.

The 2019 Feasibility Study was prepared in accordance with National Instrument 43-101 standards by Mr. Johann de Bruin, Pr. Eng. Mr. de Bruin is the Qualified Person who verified the technical data using industry acceptable standards and signed off on the relevant sections in the 43-101 report filed on SEDAR.

VALUE-ADDED MATERIAL PROCESSING FACILITY

The Company is currently evaluating the construction of value-added processing facilities that can convert flake graphite into spheronized and purified graphite (“SPG”) and coated spheronized graphite (“CSPG”). The coated spheronized purified graphite is then sold to battery manufacturers, where it is rolled into an anode and is assembled with other components into a finished battery. The following is a representation of a conversion process and the typical battery with the approximate composition of the primary components:



The SPG and CSPG produced from the value-added processing facilities can be sold at significantly greater prices per tonne than flake graphite. Transactions in the SPG and CSPG market are generally based on private negotiations between buyers and sellers, as a result there is no spot or forward market. Research companies such as Benchmark and Roskill estimate current and historical pricing based on their proprietary market research and publish forward estimates for select grades and product types. According to Roskill, the average price of CSPG imported into China in 2019 and 2020 were USD\$7,157 per tonne and USD\$7,307 per tonne, respectively.

On April 12, 2021, the Company announced a binding partnership agreement to construct and operate its own turnkey spheronized and purified graphite (“SPG”) production facility. SPG is a key component of lithium-ion batteries such as those used in electric vehicle (“EV”) and hybrid vehicle applications. The partnership involves Japanese and Chinese companies that currently operate their own SPG and CSPG facilities that provide SPG and CSPG to leading Japanese lithium-ion battery makers that are within the supply chains of Tesla and other major EV automotive companies.

NEXTSOURCE MATERIALS INC. MANAGEMENT’S DISCUSSION AND ANALYSIS For the years ended June 30, 2021, and 2020

- The Chinese partner will design and develop the process flowsheets, source all necessary graphite processing equipment, and will provide all the necessary training and operational know-how necessary for the production SPG material. In return, the Chinese partner will receive a 3% licensing fee based on the total annual sales value of anode material sold.
- The Japanese partner will leverage its sales relationships and will act as NextSource’s exclusive agent for sales, marketing and trading of battery (graphite) anode material sold to OEM anode suppliers and to OEMs directly. In return, the Japanese partner will receive a 5% sales commission based on the total annual sales value of anode battery material sold.

The Company is currently working with its partners to determine the initial production capacity and will complete a technical study to determine capital and operating costs based on proposed locations. Proposed locations for the value-added facility include South Africa, Europe, or North America.

Construction of one or more of these SPG production facilities will be subject to obtaining a positive technical study and securing sufficient funding for construction and initial working capital. Completion of the technical report is expected in late 2021 with a construction decision in early 2022. Construction of the first value-added production facility could begin in mid-2022 followed by commissioning in late 2022.

MINERAL EXPLORATION PROJECTS

Green Giant Vanadium Project, Province of Toliara, Madagascar

Overview and Project Plan

The Green Giant Vanadium Project is located 15 kilometres from the Molo Graphite Project and hosts a large sedimentary-hosted vanadium deposit.

Since early 2012, the Company has focused its efforts on the Molo Graphite Project and as such only limited work has been completed on the Green Giant Vanadium Project since that time.

The Company plans to complete additional metallurgical evaluation of the property during the next 12 months to establish a mineral processing flow sheet.

Royalty

On June 28, 2021, the Company received the royalty funding from Vision Blue for the construction of the Molo Graphite Mine. As part of the royalty agreement, Vision Blue will receive a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide (“V₂O₅”) from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅.

History

In 2007, the Company entered into a joint venture agreement with Madagascar Minerals and Resources SARL (“MMR”) to acquire a 75% interest in the Green Giant property. Pursuant to the agreement, the Company paid \$765,000 in cash, issued 250,000 common shares and issued 100,000 common share purchase warrants, which have now expired.

On July 9, 2009, the Company acquired the remaining 25% interest by paying \$100,000. MMR retains a 2% NSR. The first 1% NSR can be acquired at the Company’s option by paying \$500,000 in cash or common shares and the second 1% NSR can be acquired at the Company’s option by paying \$1,000,000 in cash or common shares.

The Green Giant property is located within exploration permits issued by the Bureau de Cadastre Minier de Madagascar (“BCMM”) pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The Green Giant property exploration permits are currently held under the name of our Madagascar subsidiary.

Exploration and Evaluation

A comprehensive diamond-drill program confirmed five vanadium-bearing trends on the property. The Jaky and Manga trends were deemed the most prospective and were the focus of the 2009 and 2010 drill programs. The complete exploration program included of 131 diamond drill holes totalling 21,957 metres, 140 trenches totalling 17,105 metres, 11,035 soil samples and 7,843-line kilometres of airborne surveys.

The exploration work resulted in a National Instrument 43-101 compliant (NI 43-101) resource estimate dated January 14, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended June 30, 2021, and 2020

Mineral Resource Estimate

The current mineral resource estimate for the Green Giant Project is summarised below consisting of the resource categories, the tonnage, the vanadium grade ("V₂O₅%") and the contained vanadium ("V₂O₅") pounds. A cut-off grade of 0.5% V₂O₅ was used. The mineral resources are classified in the Indicated and Inferred categories as defined by the Canadian Institute of Mining, Metallurgy and Petroleum definition standards.

Classification	Tonnage (Mt)	Grade (V ₂ O ₅ %)	V ₂ O ₅ (million pounds)
Indicated	49.5	0.693%	756.3
Inferred	9.7	0.632%	134.5

Readers are cautioned to refer to the technical study for certain other details and assumptions relating to the above mineral resource and reserve estimates and data verification procedures.

The Technical Report for the Green Giant Project has been filed under the Company's profile and on SEDAR at www.sedar.com, and is posted on NextSource's website at www.nextsourcematerials.com. Please see "Green Giant Project, Fotadrevo, Province of Toliara, Madagascar; Technical Report Update NI 43-101. Prepared by AGP Mining Consultants" dated January 14, 2011 for certain other details and assumptions relating to the above mineral resource estimates and data verification procedures.

Sagar Project, Labrador Trough Region, Quebec, Canada

Overview and Project Plan

In 2006, the Company purchased from Virginia Mines Inc. ("Virginia") a 100% interest in 369 claims located in northern Quebec, Canada. Virginia retains a 2% net smelter royalty ("NSR") on certain claims within the property. Other unrelated parties also retain a 1% NSR and a 0.5% NSR on certain claims within the property, of which half of the 1% NSR can be acquired by the Company by paying \$200,000 and half of the 0.5% NSR can be acquired by the Company by paying \$100,000.

Since early 2012, the Company has focused its efforts on the Molo Graphite Project and as such only minimal work has been completed on the Sagar Property since that time.

As of June 30, 2021, the Sagar property consisted of 184 claims covering a total area of 8,539.58 ha.

The Company does not have any immediate plans to complete any further exploration on this property.

NEXTSOURCE MATERIALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended June 30, 2021, and 2020

RESULTS OF OPERATIONS

Financial Results for the year ended June 30, 2021 and 2020

	For the year ended June 30, 2021	For the year ended June 30, 2020	For the year ended June 30, 2019
Revenues	\$ -	\$ -	\$ -
Mine development expenses			
Mineral claims (Madagascar)	3,335	93,954	81,969

Payroll and benefits	-	-	13,490
Engineering and metallurgical (Canada, South Africa)	38,598	64,850	171,210
Consulting fees (Madagascar)	265,635	-	686,212
Travel	16,100	20,452	12,587
Commercial production success fee	-	-	-
Total mine development expenses	323,668	179,256	965,468
Exploration and evaluation expenses			
Mineral claims (Canada)	15,335	6,623	15,469
Mineral claims (Madagascar)	4,449	50,000	39,875
Exploration Camp and Admin (Madagascar)	27,031	9,487	82,582
Total exploration and evaluation expenses	46,815	66,110	137,926
General and administrative expenses			
Payroll and benefits	483,519	436,337	459,553
Consulting Fees	383,841	358,503	368,345
Legal Fees	99,316	29,344	239,366
Professional Fees	155,108	95,397	111,711
Public filing expenses	131,923	72,137	87,093
Travel expenses	23,399	34,004	140,414
Investor relation expenses	31,610	22,993	49,711
Insurance expenses	30,816	22,624	18,315
Rent expenses	19,857	19,111	34,303
Office and admin	37,412	23,637	24,704
Total general and administrative expenses	1,396,801	1,114,087	1,533,515
Share-based compensation	3,744,172	-	651,692
Amortization of plant and equipment	6,592	6,053	-
Finance costs	1,317	-	-
Foreign currency translation (gain) loss	101,252	3,552	(4,565)
Interest (income)	(104)	-	-
Interest expense	273	2,098	-
Royalty Fee	-	-	-
Flow through provision (gain) or loss	(146,814)	-	-
Foreign taxes	92	772	-
Sub-total before other items	5,474,064	1,371,928	3,284,036
Change in value of warrant liability	36,486,420	(386,940)	(73,532)
Government assistance	-	(7,353)	-
Net loss for the year	(41,960,484)	(977,635)	(3,210,504)
Other comprehensive income			
<i>Items that will be reclassified subsequently to net loss</i>			
Translation adjustment for foreign operations	134,639	3,196	41,713
Net loss and comprehensive loss for the year	\$ (41,825,845)	\$ (974,439)	\$ (3,168,791)

NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020

Overall Performance

The Company has two operating segments, consisting of the development of mining operations in Madagascar and the exploration and evaluation of mineral resources in Madagascar and Canada. During the year ended June 30, 2021, the Company incurred a net loss and comprehensive loss of \$41,825,845 (2020: net loss and comprehensive loss of \$974,439). Highlights include completing a \$29.5 million financing package and the initiation of mine development and construction activities for Phase 1 of the Molo Graphite Mine.

Mine Development Expenses

On March 29, 2021, upon obtaining approval to initiate mine construction from the Board, the Company began capitalizing development costs related to the Molo Graphite Mine. As of June 30, 2021, the Company capitalized \$708,514 (2020: \$nil) as mining property and \$3,611,890 (2020: \$nil) as assets under construction.

Mine development expenditures increased to \$323,668 (2020: \$179,256) and consisted primarily of consulting fees of \$265,610 (2020: \$Nil) that were related to corporate social responsibility (“CSR”) activities performed in Madagascar.

Exploration and Evaluation Expenses

Exploration and evaluation expenditures decreased to \$46,815 (2020: \$66,110) and consisted primarily of a decrease in Canadian and Madagascar mineral claim renewal fees to \$19,784 (2020: \$56,623) and an increase in exploration camp and administration expenses to \$27,031 (2020: \$9,487). No exploration and evaluation activities were completed in 2021 or 2020.

General and Administrative Expenses

General and administrative expenses increased to \$1,396,801 (2020: \$1,114,087) and consisted primarily of payroll and benefits of \$483,519 (2020: \$436,337) and consulting fees of \$383,841 (2020: \$358,503). Legal fees increased to \$99,316 (2020: \$29,344) related to the negotiation of the investment agreements and other matters. Professional fees increased to \$155,108 (2020: \$95,397) due to the conversion of the business licenses for our Mauritius subsidiaries and increased audit fees. Public filing fees increased to \$131,293 (\$72,137) due to the special meeting of shareholders that was held to approve the Vision Blue investment agreement.

Share Based Compensation

Share-based compensation increased to \$3,744,172 (2020: \$Nil) due to the recognition of the \$2,777,404 of fair value of stock options awarded on March 19, 2021, and the recognition of the \$966,768 of fair value of unvested RSUs, which are recognized over their respective vesting periods.

Change in Value of Warrant Liabilities

Other items included the recognition of a net loss on the change in the fair value of the warrant liabilities of \$36,486,420 (2020: gain of \$386,940) which consisted of a loss of \$43,294,527 upon the initial recognition of the fair value of the warrants that were issued on May 19, 2021, and a net gain of \$6,808,106 from the change in the fair values of the outstanding warrant derivative liabilities during the year.

NEXTSOURCE MATERIALS INC. MANAGEMENT’S DISCUSSION AND ANALYSIS For the years ended June 30, 2021, and 2020

QUARTERLY RESULTS

For the Company’s detailed 2021 and 2020 quarterly financial and operating results, see *Summarized Quarterly Data* in this MD&A.

Overall Performance

During the quarter ended June 30, 2021, the Company incurred a net loss and comprehensive loss of \$27,419,558 (2020: net loss and comprehensive loss of \$426,243). Highlights during the quarter include completing the second private placement related to the financing package and the initiation of mine development and construction activities for Phase 1 of the Molo Graphite Mine.

Mine Development Expenses

Mine development expenditures increased to \$198,886 (2020: \$68,954) and consisted primarily of consulting fees of \$164,220 (2020: \$Nil) that were related to corporate social responsibility (“CSR”) activities performed in Madagascar.

Exploration and Evaluation Expenses

Exploration and evaluation expenditures decreased to a gain of \$5,550 (2020: expense of \$26,055) and consisted primarily of a reversal of mineral claim renewal fee accruals resulting in a gain of \$29,974 (2020: expense of \$50,000).

General and Administrative Expenses

General and administrative expenses increased to \$472,883 (2020: \$229,663) and consisted primarily of payroll and benefits of \$186,316 (2020: \$87,671) and consulting fees of \$115,060 (2020: \$86,874). Legal fees increased to \$27,424 (2020: \$9,005) related to the negotiation of the investment agreements and other matters. Professional fees increased to \$41,033 (2020: \$31,440) due to the conversion of the business licenses for our Mauritius subsidiaries. Public filing fees increased to \$41,341 (\$3,364) due to the special meeting of shareholders that was held to approve the Vision Blue investment agreement.

Share Based Compensation

Share-based compensation decreased to a gain of \$48,932 (2020: \$Nil) due to the revaluation of the fair value of stock options granted on March 19, 2021, and the recognition of the fair value of unvested RSUs, which are recognized over their respective vesting periods.

Change in value of Warrant Liability

Other items included the recognition of a net loss on the change in the fair value of the warrant liabilities of \$26,810,060 (2020: loss of \$100,323) which consisted of a loss of \$43,294,527 upon the initial recognition of the fair value of the warrants that were issued on May 19, 2021, and a net gain of \$16,484,467 from the change in the fair values of the outstanding warrant derivative liabilities during the quarter.

STATEMENT OF FINANCIAL POSITION

Cash and Cash Equivalents

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 currently held in Madagascar and Mauritius.

	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents				
As of June 30, 2021	22,422,783	1,130	13,173	22,437,086
As of June 30, 2020	208,251	-	14,054	222,305

Amounts Receivable and Prepaid Expenses

Amounts receivables increased to \$92,370 (June 30, 2020: \$7,539) due primarily to an increase in Canadian sales tax receivables. Prepaid expenses increased to \$52,974 (June 30, 2020: \$25,484) due primarily to an increase in prepaid insurance premiums.

NEXTSOURCE MATERIALS INC. MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2021, and 2020

Plant and Equipment

Plant and equipment increased to \$4,337,161 (2020: \$18,111) due primarily to the start of capitalization of development costs related to the Molo Graphite Mine, which included capitalization of the \$708,514 commercial production fee provision as mining property and the capitalization of \$3,611,890 (2020: \$nil) related to construction of the processing plant as assets under construction.

	Mining Property	Assets Under Construction	Right of Use Assets	Equipment	Total
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	\$	\$	\$	\$	\$
As at June 30, 2019	-	-	-	-	-
Adoption of IFRS 16	-	-	24,164	-	24,164
Disposals	-	-	-	-	-
Amortization	-	-	(6,053)	-	(6,053)
As at June 30, 2020	-	-	18,111	-	18,111
Additions	708,514	3,611,890	-	5,238	4,325,642
Disposals	-	-	-	-	-
Amortization	-	-	(6,037)	(555)	(6,592)
As at June 30, 2021	708,514	3,611,890	12,074	4,683	4,337,161

Accounts Payable and Accrued Liabilities

Accounts payable increased to \$383,428 (June 30, 2020: \$323,876) due primarily to an increase in trade payables. Accrued liabilities decreased to \$221,692 (June 30, 2020: \$370,449) due primarily to a decrease in accrued legal expenses.

Short-Term Debt

The Company has a Canada Emergency Business Account (CEBA), which is not subject to an interest rate until after December 31, 2022 and has loan forgiveness provisions whereby 25% of the loan principal will be forgiven if 75% of the loan principal is repaid prior to December 31, 2022.

As of June 30, 2021, the Company had previously withdrawn CAD \$40,000 and repaid CAD \$30,000 of loan principal. The Company recognized the loan forgiveness of CAD\$10,000 resulting in a short-term debt carrying balance on June 30, 2021 of \$nil (June 30, 2020: \$22,115).

Lease Obligations

The Company is party to several contracts that contain a lease, most of which include office facilities and exploration camp. Leases of low value assets, short term leases and leases with variable payments proportional to the rate of use of the underlying asset do not give rise to a lease obligation.

Upon the Company's adoption of IFRS 16 on July 1, 2019, the Company recognized \$24,164 of lease obligations for leased right-of-use assets in relation to the long-term lease for the exploration camp in Fotadrevo, Madagascar. As of June 30, 2021, the exploration camp lease had a remaining term of 24 months.

The following table sets out the carrying amounts of lease obligations for right-of-use assets that are included in the consolidated statement of financial position and the movements between the reporting periods:

	Buildings
	\$
Balance as at July 1, 2019	-
Adoption of IFRS 16	24,164
Lease payments	(4,810)
Foreign exchange adjustments	(3,336)
Balance as at June 30, 2020	16,018
Additions	-
Lease payments	(6,367)
Finance costs	1,317
Foreign exchange adjustments	131
Balance as at June 30, 2021	<u>11,099</u>

NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020

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

	Buildings
	\$
Current portion of lease obligations	5,845
Long-term lease obligations	5,254
Balance as at June 30, 2021	11,099

Fair Value of Warrant Liabilities

The fair value of warrant derivative liabilities increased to \$45,380,933 (2020: \$208,768) due primarily to the recognition of new derivative liabilities related to the private placement completed on July 2, 2020 and May 19, 2021. The initial fair value of \$421,861 for warrants granted on July 2, 2020 consisted of \$421,861 that was reclassified from equity to warrant liability. The initial fair value of \$55,794,527 for the warrants issued on May 19, 2021 consisted of \$12,500,000 that was reclassified from equity to warrant liability and \$43,294,527 that was recognized through profit and loss.

	Warrant Liability
	\$
Balance as at June 30, 2019	334,618
Recognition of derivative liability	261,090
Change in fair value through profit and loss	(386,940)
Reclassification to equity on exercise of warrants	-
Balance as at June 30, 2020	208,768
Recognition of derivative liability	56,216,388
Change in fair value through profit and loss	(6,808,106)
Reclassification to equity on exercise of warrants	(4,236,117)
Balance as at June 30, 2021	45,380,933

Provisions

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together "the Agreements") with Malagasy to acquire the remaining 25% interest in the Molo Graphite Property. Pursuant to the Agreements, a further cash payment of approximately \$806,200 (CAD\$1,000,000) will be due within five days of the commencement of commercial production ("Commercial Production Fee").

As of June 30, 2021, the Company believes that construction can be completed within 12 months and that commercial production could be declared on or around June 30, 2022, and as such recognized a provision of \$708,514 based on the present value of the Commercial Production Fee using a 13.8% discount rate. The Commercial Production Fee provision was capitalized as mining property under property, plant and equipment.

The provision relating to a shortfall in flow-through expenditures decreased to \$29,508 (June 30, 2020: \$174,419) due to the completion of settlements and a decrease in the provision.

LIQUIDITY AND CAPITAL RESOURCES

There were no changes in the Company's approach to capital management during the year ended June 30, 2021.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while working to obtain additional funding to meet its obligations as they come due. The Company's operations to date have been funded by issuing equity and a royalty financing agreement. The Company expects to continue to improve the working capital position by securing additional financing.

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

NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020

The Company's mineral property interests are all in the exploration, development, and construction stage. The Company has yet to generate any revenue from mining operations. As such the Company is dependent on obtaining external financing to fund exploration and evaluation, development, construction and operating expenditures. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and adjusts in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company's capital structure may involve the issuance of new shares, assumption of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements.

Working Capital Balance

As of June 30, 2021, the Company had a working capital deficit of \$24,147,490 (June 30, 2020: deficit of \$918,048). Excluding the \$45,380,933 warrant derivative liabilities, which are expected to be settled through the issuance of common shares upon the exercise or expiration of the underlying common share purchase warrants, the Company had a working capital surplus of \$21,233,443 (June 30, 2020: deficit of \$709,280). Although the Company has a working capital surplus excluding the warrant derivative liabilities, the working capital surplus is expected to be utilized in the construction of the Molo Graphite Mine, commissioning of the processing plant, exploration and evaluation activities, development of value-added processing facilities, and general and administrative expenditures.

	As at June 30, 2021	As at June 30, 2020
Current Assets:		
Cash and cash equivalents	\$ 22,437,086	\$ 222,305
Amounts receivable	92,370	7,539
Prepaid expenses	52,974	25,484
Total Current Assets	22,582,430	255,328
Current Liabilities:		
Accounts payable	383,428	323,876
Accrued liabilities	221,692	370,449
Share subscriptions	-	68,411
Short term debt	-	22,115
Provision	738,022	174,418
Fair value of warrant derivative liabilities	45,380,933	208,768
Current portion of lease obligations	5,845	5,339
Total Current Liabilities	46,729,920	1,173,376

Working Capital (Deficit) surplus	<u>(24,147,490)</u>	<u>(918,048)</u>
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NEXTSOURCE MATERIALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2021, and 2020

Cash Flows - Sources and Uses of Cash

The following are the Company's cash flows from operating, investing and financing activities for the years ended June 30, 2021 and 2020:

	<u>Year ended June 30, 2021</u>	<u>Year ended June 30, 2020</u>	<u>Year ended June 30, 2019</u>
Operating activities			
Net loss for the year	\$ (41,960,484)	\$ (977,635)	\$ (3,210,504)
<i>Add (deduct) items not affecting cash:</i>			
Amortization of plant and equipment	6,592	6,053	-
Change in value of warrant derivative liability	36,486,420	(386,940)	(73,532)
Share-based compensation (options)	3,744,172	-	651,692
Government assistance	-	(7,373)	-
Change in value of lease obligations	1,448	(3,337)	-
<i>Change in non-cash working capital balances:</i>			
(Increase) decrease in amounts receivable and prepaid expenses	(112,321)	51,049	(28,291)
Increase (decrease) in accounts payable and accrued liabilities	(89,205)	(69,692)	425,320
Increase (decrease) in provision	563,604	(6,234)	-
Increase (decrease) in share subscriptions received in advance	(68,411)	68,411	-
Net cash used in operating activities	<u>(1,428,185)</u>	<u>(1,325,698)</u>	<u>(2,235,315)</u>
Cash flows from investing activities			
Additions to property, plant and equipment	(4,325,642)	-	-
Net cash used in investing activities	<u>(4,325,642)</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issuance of common shares	19,976,571	998,620	2,444,015
Exercise of stock options	560,406	-	-
Exercise of warrants	1,108,200	-	-
Common share issue costs finder shares	-	-	17,966
Common share issue costs	(113,446)	(7,821)	(77,750)
Short term debt	(22,115)	29,486	-
Lease liability principal payments	(6,367)	(4,810)	-
Proceeds from royalty financing	6,330,721	-	-
Net cash provided by financing activities	<u>27,833,970</u>	<u>1,015,475</u>	<u>2,384,231</u>
Effect of exchange rate changes on cash and cash equivalents	134,638	3,197	41,713
Net increase (decrease) in cash and cash equivalents during the year	<u>22,214,781</u>	<u>(307,026)</u>	<u>190,629</u>
Cash and cash equivalents, beginning of year	222,305	529,331	338,702
Cash and cash equivalents, end of year	<u>\$ 22,437,086</u>	<u>\$ 222,305</u>	<u>\$ 529,331</u>

Operating Activities

Net cash used in operating activities increased to \$1,428,185 (2020: \$1,325,698) due primarily to increased expenditures related to the development of the Molo Graphite Mine.

Investing Activities

Net cash used in investing activities increased to \$4,325,642 (2020: \$Nil) due primarily to the start of capitalization of mine development costs.

Financing Activities

Net cash provided by financing activities increased to \$27,833,970 (2020: \$1,015,475) due primarily to the completion of the private placements and royalty financings related to the financing agreement with Vision Blue and from the exercise of in-the-money stock options and warrants.

NEXTSOURCE MATERIALS INC. MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2021, and 2020

The following events occurred during the year ended June 30, 2021:

- (a) On July 2, 2020, the Company completed a non-brokered private placement of 6,157,887 units at a price of \$0.24 (CAD\$0.325) per unit for gross proceeds of \$1,476,571 (CAD\$2,001,310). Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.48 (CAD\$0.65) per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$9,293 in share issuance costs.
- (b) On December 22, 2020, a total of 72,174 stock options priced at \$0.56 were exercised into 72,174 common shares for gross proceeds of \$40,418.
- (c) On February 9, 2021, a total of 147,000 stock options priced at \$0.66 were exercised into 147,000 common shares for gross proceeds of \$97,054.
- (d) On February 12, 2021, a total of 55,000 warrants priced at CAD\$0.90 and 15,385 warrants at a price of CAD\$0.65 were exercised into 70,385 common shares for gross proceeds of \$46,760.
- (e) On February 19, 2021, a total of 22,223 stock options priced at CAD\$0.90 were exercised into 22,223 common shares for gross proceeds of \$15,857 and a total of 517,443 RSUs that vested on February 7, 2021 were converted into common shares for no additional consideration.
- (f) On February 23, 2021, a total of 73,000 stock options priced at \$0.66 were exercised into 73,000 common shares for gross proceeds of \$48,439.
- (g) On February 26, 2021, a total of 111,112 warrants priced at CAD\$0.90 were exercised into 111,112 common shares for gross proceeds of \$79,172.
- (h) On March 4, 2021, a total of 50,000 warrants priced at CAD\$0.65 were exercised into 50,000 common shares for gross proceeds of \$25,681.
- (i) On March 8, 2021, a total of 290,000 stock options priced at CAD\$1.00 and 220,000 stock options priced at \$0.66 were exercised into 510,000 common shares for gross proceeds of \$374,494.

- (j) On March 15, 2021, the Company completed a non-brokered private placement of 12,000,000 common shares at a price of CAD\$0.65 per share for total gross proceeds of \$6,000,000 (CAD\$7,800,000). In connection with the non-brokered private placement, the Company incurred \$16,367 in share issuance costs.
- (k) On April 12, 2021, a total of 361,500 warrants priced at CAD\$0.65 and 55,555 warrants priced at CAD\$0.90 were exercised into 417,055 common shares for gross proceeds of \$226,506.
- (l) On May 19, 2021, the Company completed a non-brokered private placement of 23,214,286 units at a price of CAD\$0.65 per unit for total gross proceeds of \$12,500,000 (CAD\$15,089,286). Each unit consisted of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$1.00 per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$87,788 in share issuance costs.
- (m) On May 25, 2021, a total of 750,000 warrants priced at CAD\$0.65 were exercised into 750,000 common shares for gross proceeds of \$403,705.
- (n) On June 7, 2021, a total of 200,000 warrants priced at CAD\$0.90 were exercised into 200,000 common shares for gross proceeds of \$148,518.
- (o) On June 23, 2021, a total of 222,223 warrants priced at CAD\$0.90 were exercised into 222,223 common shares for gross proceeds of \$162,000.
- (p) On June 28, 2021, the Company received the royalty funding from Vision Blue consisting of \$8.0 million. The \$1.5 million financing fee and \$169,279 in legal fees related to the royalty agreement were netted against the carrying value of the royalty obligation, which will be recognized over the term of the minimum repayment period.
- (q) The Company repaid \$22,386 to the Canada Emergency Business Account (CEBA).

The following events occurred during the year ended June 30, 2020:

- (a) On October 25, 2019, the Company closed a non-brokered private placement offering of 2,907,777 units at a price of \$0.34 (CAD\$0.45) per unit for aggregate gross proceeds of \$998,620 (CAD\$1,308,500). Each unit consisted of one common share and one-half common share purchase warrant, with each full warrant exercisable into one common share at an exercise price of \$0.70 (CAD\$0.90) for a period of two years. In connection with the non-brokered private placement, the Company incurred \$7,820 in share issuance costs.
- (b) The Company withdrew \$29,486 from the Canada Emergency Business Account (CEBA).

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Contractual Obligations and Commitments

The Company is subject to contractual obligations related to the royalty obligation minimum repayments and the lease agreement for the camp in Fotadrevo. The Company's future operating cash flows are expected to be sufficient to satisfy its contractual obligations related to these obligations and commitments.

The Company's contractual obligations related to the royalty minimum payments are set out in the following table:

	Obligation
	\$
Within 12 months	-

Between 13 and 24 months	948,750
Between 25 and 36 months	1,897,500
Between 37 and 48 months	1,897,500
Between 49 and 60 months	1,897,500
Thereafter	12,333,750
Total undiscounted minimum payments and interest	18,975,000

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

	Buildings
	\$
Within 12 months	6,019
Between 13 and 24 months	6,019
Total undiscounted lease obligations	12,038

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.

Liquidity risk and capital resource analysis

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. 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.

Other than accounts payable and accrued liabilities, which are primarily due within 30 days, the warrant liabilities, which are expected to be fully expensed by their respective exercise or expirations, and the royalty obligations, which are expected to be settled through minimum repayments starting in fiscal 2023, none of the Company's obligations have contractual maturities during the next 12 months.

As of June 30, 2021, the Company had cash and cash equivalents of \$22,437,086 (June 30, 2020: \$222,305) to settle current liabilities of \$46,729,920 (June 30, 2020: \$1,173,376). Excluding the \$45,380,933 warrant derivative liabilities, which are expected to be settled through the issuance of common shares upon the exercise or expiration of the underlying common share purchase warrants, the Company had current liabilities of \$1,348,987 (June 30, 2020: \$964,608). Although the Company is not currently exposed to liquidity risk, a significant portion of the surplus cash is expected to be utilized to complete construction of the mine and to fund mine working capital and general and administrative expenditures over the next 12 months.

As of June 30, 2021, the Company remaining Molo Graphite Mine construction costs were estimated at approximately \$18.4 million, mine working capital requirements were estimated at approximately \$1.3 million, and general and administrative expenditures until the completion of construction were estimated at \$3.0 million. As part of the royalty financing agreement, the Company will receive a further \$3.0 million from Vision Blue upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021. The Company expects to receive additional funding from the exercise of in-the-money warrants that are due to expire in October 2021 and July 2022. As a result, the Company believes its capital resources will be sufficient to complete construction of the mine and to fund mine working capital and general and administrative expenditures over the next 12 months. Should unexpected financial circumstances arise in the future, the Company may choose to decrease certain discretionary expenditures.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available. Based on management's assessment of its past ability to obtain required funding, the Company believes that it will be able to satisfy its current and long-term obligations as they come due.

Credit risk

The Company does not currently have commercial customers and therefore does not have any credit risk related to amounts receivables. 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 financial institutions.

Market risks

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign exchange rates, commodity prices and interest rates.

- **Interest rate risk:** This is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that are subject to variable interest rates.
- **Commodity price risks:** This is the sensitivity of the fair value of, or of the future cash flows, from mineral assets. The Company manages this risk by monitoring mineral prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets. The Company does not have any mineral assets at the development or production stage carried at historical cost. The Company has expensed the acquisition and exploration costs of its exploration stage mineral assets.
- **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 Euro and the South African Rand. The Company purchases services and has certain salary commitments in those 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 since it has not made any commitments to deliver products quoted in foreign currencies. The Company is not sensitive to foreign exchange risk arising from the translation of the financial statements of subsidiaries with a functional currency other than the US dollar since it does not have any material assets and liabilities measured through other comprehensive income. As of June 30, 2021, the Company estimated that a 10% decrease of the USD versus foreign exchange rates would result in a gain of \$1,463 (2020: loss of \$66,259).

	June 30, 2021	June 30, 2019
Cash and cash equivalents (CAD)	\$ 1,011,996	\$ 130,414
Cash and cash equivalents (MGA)	1,698	\$ 4,003
Amounts receivable (CAD)	73,707	7,513
Amounts receivable (MGA)	26	26
Accounts payable and accrued liabilities (CAD)	(137,329)	(383,006)
Accounts payable and accrued liabilities (MGA)	(30,574)	(1,061)
Accounts payable and accrued liabilities (EUR)	(166,869)	(177,654)
Provisions (CAD)	(738,022)	(242,829)
Net foreign exchange exposure in USD	<u>\$ 14,633</u>	<u>(662,594)</u>
Impact of 10% change in foreign exchange rates	<u>\$ 1,463</u>	<u>(66,259)</u>

OUTLOOK

The following section contains “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws. The Company continues to monitor the implications of the Covid-19 Pandemic. The manner and extent that the pandemic, and measures taken as a result of the pandemic by governments and others, will affect the Company in ways that cannot be predicted with certainty. See the *Cautionary Statement Regarding Forward-Looking Information and Uncertainty due to the Covid-19 Pandemic* in this MD&A for a discussion of assumptions and risks relating to such statements and information and a discussion of certain risks facing the Company relating to the pandemic.

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2022 Outlook

The Company is not providing any guidance on expected production volumes, revenues and operating costs for the Molo Graphite Mine, which is expected to begin commissioning in May 2022. Although the Company expects to produce sellable product during fiscal 2022, the Company does not expect to achieve full nameplate capacity until after June 30, 2022.

Remaining capital expenditures required to complete Phase 1 of the Molo Graphite Mine are estimated at approximately \$18.0 to \$19.0 million plus mine working capital estimated at approximately \$1.1 to \$1.5 million. As June 30, 2021, the Company had capitalized \$3.6 million related to the construction of the mine. The Company expects to receive \$3.0 million from Vision Blue upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to occur on or around December 31, 2021.

Mine development expenditures, prior to any capitalizations, are expected to be approximately \$0.5 to \$0.6 million primarily due to technical studies related to a Phase 2 mine expansion, as compared to \$0.3 million in 2021.

Exploration and evaluation expenditures are expected to be approximately \$0.1 to \$0.2 million primarily due to the completion of metallurgical evaluations and technical studies related to the Green Giant Vanadium Project, as compared to \$0.05 million in 2021.

Value-added processing expenditures, prior to any capitalizations, are expected to be approximately \$1.0 to \$1.5 million primarily due to the completion of technical studies related to the construction of a value-added processing facilities capable of producing coated, spheronized and purified graphite ("CSPG"), as compared to \$Nil in 2021.

General and administrative expenses, prior to any capitalizations, are expected to be approximately \$2.5 million to \$3.5 million, as compared to \$1.6 million in 2021.

OUTSTANDING SECURITIES

The Company's common shares trade on the Toronto Stock Exchange (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.

On May 20, 2021, the Company gave effect to a 1 for 10 consolidation of its common shares and all outstanding warrants, stock options and restricted share units. All of the per share amounts in the consolidated financial statements and this MD&A have been restated to give effect to the share consolidation on a retroactive basis.

As of June 30, 2021, the Company had:

- 98,184,260 common shares issued and outstanding (June 30, 2020: 53,649,481).
- 25,904,122 common share purchase warrants outstanding (June 30, 2020: 2,519,157) with a weighted average expiration of 1.77 years (June 30, 2020: 0.82 years), which are exercisable into 25,904,122 (June 30, 2020: 2,519,157) common shares at a weighted average exercise price of USD\$0.78 (June 30, 2020: USD\$0.70). All outstanding warrants vested on their respective issue dates.
- 2,780,000 stock options outstanding (June 30, 2020: 3,625,001) with a weighted average expiration of 2.15 years (June 30, 2020: 2.28), which are exercisable into 2,780,000 common shares (June 30, 2020: 3,625,001) at a weighted average exercise price of USD\$1.73 (June 30, 2020: USD\$0.67). All the outstanding stock options vested on their respective grant dates.
- 475,000 RSUs issued and outstanding (June 30, 2020: Nil) with a weighted average expiration of 1.40 years (June 30, 2020: nil) which entitle the holders to receive 475,000 common shares (June 30, 2020: nil) for no additional consideration subject to satisfying the vesting conditions.

On September 23, 2021, a total of 211,112 warrants priced at CAD\$0.90 were exercised into 211,112 common shares for gross proceeds of \$150,100.

The following table sets out the maximum number of common shares that would be outstanding if all dilutive instruments outstanding as of the date of this MD&A were exercised:

Common Shares Outstanding	98,395,372
Warrants	25,693,010
Stock options	2,780,000
Restricted Share Units (RSUs)	475,000
Fully Diluted Common Shares	<u>127,343,382</u>

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SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL POLICIES

The Company is committed to the health and safety of our workers and communities, the protection of the environment, and to the rights, culture and development of the local communities in which it operates.

The Company is in the process of incorporating health, safety and environmental sustainability into all aspects and stages of its business, from corporate objectives to mine development, exploration and evaluation activities, day-to-day operations and site closure. The Company has created an Environmental, Social and Governance ("ESG") Committee for the Board of Directors (the "ESG Committee"), which is currently developing a "Sustainable Development Policy" for the Company.

The Company is evaluating but has not adopted the requirements of the Mining Association of Canada's industry leading Towards Sustainable Mining Initiative (the "TSM Initiative"), as well as the Global Reporting Initiative's sustainability reporting guidelines for the mining industry (the "GRI Reporting Guidelines"). The TSM Initiative helps mining companies evaluate the quality, comprehensiveness and robustness of their management systems, tailings management, biodiversity management, health and safety, indigenous and community relations, prevention of child and forced labour, and water stewardship. The GRI Reporting Guidelines consist of principles for defining report content and ensuring the quality of reported information.

The Company's exploration activities and mining and processing operations are subject to state, federal, provincial, territorial, regional and local environmental laws and regulations in the jurisdictions in which the Company's activities and facilities are located. These include the requirements for planning and implementing the closure and reclamation of mining properties and related financial assurance.

As part of the advancement of the Molo Graphite Mine project, the Company completed a comprehensive Environmental and Social Impact Assessment ("ESIA") in 2018, which was developed to local Madagascar ("Malagasy"), Equator Principles, World Bank and International Finance Corporation ("IFC") standards.

On April 11, 2019, the Company announced it had received the Global Environmental Permit for the Molo Graphite Mine from the Madagascar Ministry of Environment's Office National pour l'Environnement (the National Office for the Environment; or "ONE"). This follows the completion of the Environmental & Social Impact Assessment ("ESIA") and Relocation Action Plan ("RAP") to International Finance Corporation (IFC) performance standards and World Bank standards, the completion of local and regional stakeholder and community engagement, and the completion of negotiations and signed agreements with all potentially affected land occupants to accept compensation for any affected crops and grazing land and relocation if needed.

TRANSACTIONS WITH RELATED PARTIES

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. Other related parties include companies controlled by key management personnel. Related parties include key management, which consists of the Board of Directors, Chief Executive Officer, Chief Financial Officer, and the Senior Vice Presidents of the Company.

A transaction is considered a related party transaction when there is a transfer of economic resources or financial obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the fair value. Balances and transactions between the Company and its wholly owned subsidiaries, which are related parties of the Company, have been eliminated and are not disclosed in this note.

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

	Year ended June 30, 2021	Year ended June 30, 2020	Year ended June 30, 2019
Payroll and benefits	\$ 448,984	\$ 381,777	\$ 439,175
Consulting fees	341,541	331,682	335,045
Professional fees	35,946	-	-
Share-based compensation	3,744,172	-	640,692
Total	\$ 4,570,643	\$ 713,459	\$ 1,414,912

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

	As of June 30, 2021	As of June 30, 2020
Amounts receivable from key management	\$ 17,007	\$ -
Prepaid expenses to companies controlled by key management	\$ 6,949	\$ 3,178
Accounts payable due to companies controlled by key management	\$ -	\$ 86,685
Accrued liabilities due to key management	\$ 64,503	\$ 54,727

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LEGAL PROCEEDINGS

The Company is not currently involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no regulatory action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, securities commissions, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company or any of our subsidiaries, threatened against or affecting our Company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

CRITICAL IFRS ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company's annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's significant accounting policies, including a summary of current and future changes in accounting policies, are disclosed in Note 3 in the annual consolidated financial statements.

To prepare financial statements in conformity with IFRS, the Company must make estimates, judgements 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 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 also 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 critical judgments, estimates and assumptions used in the application of accounting policies during the year ended June 30, 2021 are disclosed in Note 4 to the annual consolidated financial statements.

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

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 below in addition to the risk factors disclosed in our financial statements for the year ended June 30, 2021 and our most recent AIF.

Any such risk factors could materially affect the Company's business, financial condition and/or future operating results and prospects and could cause actual events to differ materially from those described in forward-looking statements and information relating to the Company. Additional risks and uncertainties not currently identified by the Company or that the Company currently believes not to be material also may materially and adversely affect the Company's business, financial condition, operations or prospects.

Uncertainty due to the Covid-19 Pandemic

The impact of COVID-19 on the Company has been limited since it does not have any active exploration programs and construction activities related to the Molo Graphite Mine have mainly focused on the assembly of the processing plant off-shore by our EPC contractor. Certain of our directors, officers, employees, consultants, and contractors have been indirectly impacted by intermittent lockdowns that have been imposed in Canada, Madagascar, Mauritius and in South Africa.

The Company has tried to incorporate the impact COVID-19 outbreaks and intermittent lockdowns into the development plans for the Molo Graphite Mine. Notwithstanding, intermittent lockdowns have the potential to cause unforeseen delays in the plant assembly and delivery schedule, as well as with mine site works construction schedule. It is not possible for the Company to predict the duration or magnitude of adverse impacts from further outbreaks and predict the effects on the Company's business or results of operations.

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, the Company or others related to the COVID-19 pandemic. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

Inputs and assumptions relate to, among other things, interest rates, foreign exchange rates, cost of capital, commodity prices, and the amount and timing of future cash flows, while accounting judgments take into consideration the business and economic uncertainties related to the COVID-19 pandemic and the future response of governments, the Company and others to those uncertainties. In the current environment, the inputs and assumptions and judgements are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19 pandemic on various financial accounts and note disclosures and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments, estimates and assumptions includes the Company's valuation of the long-term assets (including the assessment for impairment and impairment reversal), estimation of reclamation provisions, estimation of mineral reserves and mineral resources, and estimation of income and mining taxes. Actual results may differ materially from these estimates.

NEXTSOURCE MATERIALS INC. MANAGEMENT'S DISCUSSION AND ANALYSIS For the years ended June 30, 2021, and 2020

Development projects are uncertain, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production.

Mine development projects, including the Molo Graphite Mine, require significant expenditures during the development phase before production is possible.

Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of capital mineral reserves, anticipated recoveries, environmental considerations and permitting, future commodity prices, and anticipated capital and operating costs of these projects. It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays can often occur at the start of production.

Particularly for development projects, mineral reserve estimates, sustaining costs and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of metals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from those currently estimated for a project prior to production.

Any of the following events, among others, could affect the profitability or economic feasibility of the Molo Graphite Mine: unanticipated changes in grade and tonnes of material to be mined and processed, unanticipated adverse geological conditions, unanticipated recovery problems, incorrect data on which engineering assumptions are made, availability and costs of labor, costs of processing, availability of economic sources of power, adequacy of water supply, availability of surface on which to locate processing facilities, adequate access to the site, unanticipated transportation costs, government regulations (including regulations with respect to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, environmental), fluctuations in commodity prices, accidents, labor actions, the availability and delivery of critical equipment, successful commissioning and start-up of operations, including the achievement of designed plant recovery rates and force-majeure events.

The Molo Graphite Mine has not yet been built and accordingly has no operating history upon which to base estimates of future production and cash operating costs. The price of graphite can fluctuate significantly on a month-to-month and year-to-year basis. Declining graphite prices can impact operations by forcing a reassessment of the feasibility of the Molo Graphite Mine.

It is likely that actual results for the Molo Graphite Mine will differ from current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, or increase capital or operating costs above, current estimates. If actual results are less favorable than currently estimated, the Company's business, results of operations, financial condition and liquidity could be materially adversely affected.

The Company's development and exploration projects are in the African country of Madagascar and are subject to country political and regulatory risks.

A new president of Madagascar was inaugurated in January 2019 following democratic elections. The Company is actively monitoring the political climate in Madagascar and continues to hold meetings with new representatives of the government and the Ministries in charge of mining. Depending on future actions taken by the newly elected government, or any future government, the Company's business operations could be impacted.

Companies in the mining and metals sector continue to be targeted to raise government revenue, particularly as governments struggle with deficits and concerns over the effects of depressed economies. Many governments are continually assessing the fiscal terms of the economic rent for mining companies to exploit resources in their countries.

The government of Madagascar has granted mining claims, permits, and licenses that will enable us to conduct anticipated operations or exploration and development activities. Notwithstanding, these arrangements, the Company's ability to conduct operations, exploration and/or development activities at any of its properties is subject to obtaining and/or renewing permits or concessions, changes in laws or government regulations or shifts in political attitudes beyond its control.

Any adverse developments to the political and regulatory situation in Madagascar could have a material effect on the Company's business, results of operations and financial condition. The Company's operations may also be affected in varying degrees by terrorism; military conflict or repression; crime; populism; activism; labour unrest; attempts to renegotiate or nullify existing concessions, licenses, permits and contracts; unstable or unreliable legal systems; changes in fiscal regimes including taxation, and other risks arising out of sovereignty issues.

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The Company does not currently carry political risk insurance covering its investments in Madagascar. It may not be possible for investors to enforce judgments in Canada against a loss suffered on the Company's assets and operations in Madagascar.

Economic dependence on the Molo Graphite Mine.

The Company's principal mineral property is the Molo Graphite Mine. As a result, unless the Company acquires or develops any additional material properties or projects, any adverse developments affecting this project or our rights to develop the Molo Graphite Mine could materially adversely affect the Company's business, financial condition and results of operations.

Additional permits and licenses are necessary to complete the development of the Molo Graphite Mine.

The Company successfully converted its exploration permit for the Molo Graphite Mine into a mining permit. However, the Company requires additional permits necessary to construct and operate the mine, including water use, construction, mineral processing, transportation, export, and labour. Applications for these additional permits and licenses will be undertaken in due course at the appropriate time.

The Company cannot provide any assurance as to the timing of the receipt of any of the additional permits and licenses necessary to initiate construction of the mine.

Fluctuations in the market price of graphite and other metals may adversely affect and the value of the Company's securities, revenue projections and the ability of the Company to develop Phase 2 of the Molo Graphite Mine.

The value of the Company's securities may be significantly affected by the market price of graphite and other metals, which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances. The Chinese market is a significant source of global demand for commodities, including graphite. Chinese demand has been a major driver in global commodities markets for a number of years and recent reductions in Chinese demand have adversely affected prices for graphite. A slowing in China's economic growth could result in even lower prices and could negatively impact the value of the Company's securities. Excess global supply of graphite could result in a decrease in the price of graphite and other metals, which could adversely impact the projected revenues from the Molo Graphite Mine. Prolonged decreases in the price of graphite or other metals could adversely impact the ability of the Company to proceed with the development of Phase 2 of the Molo Graphite Mine.

Estimates of mineral resources and mineral reserves may not be realized.

Mineral resource and mineral reserve estimates are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified mineral resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by mineral type. There can be no assurance that mineral recovery in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Actual recoveries may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. Material changes in mineral reserves or mineral resources, grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated mineral reserves and mineral resources should not be interpreted as assurances of mine life or of the profitability of future operations

The Company may not have access to sufficient capital to develop Phase 2 of the Molo Graphite Mine and value-added processing facilities.

The Company has limited capital, which is sufficient to complete construction of Phase 1 of the Molo Graphite Mine but is insufficient to complete construction of Phase 2 of the Molo Graphite Mine and construction of value-added processing facilities. The Company

ability to develop Phase 2 of the Molo Graphite Mine and value-added processing facilities will depend primarily on its ability to obtain additional capital in the form of private or public equity or debt financing. There is no assurance that the Company will secure sufficient financing, or the Company may be unable to locate and secure capital on terms and conditions that are acceptable to the Company. Any equity financing may have a dilutive effect on the value of the Company securities. Any debt financing, if available, may involve financial covenants which limit operations and could be secured against all of the Company's assets. If the Company cannot obtain additional capital, the Company may not be able to complete the development of Phase 2 of the Molo Graphite Mine and value-added processing facilities, which could have a material adverse effect on the business, operating results and financial condition of the Company.

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The Company has a limited operating history and expects to incur operating losses for the foreseeable future.

The Company has principally operated as a mineral exploration company since incorporation and has just received its first mining permit. There are numerous difficulties normally encountered by mineral exploration and development companies, and these companies experience a high rate of failure.

The Company has not earned any revenues has not been profitable. It is anticipated that the Company will continue to report negative operating cash flow in future periods, likely until after the Molo Graphite Mine generates recurring revenues from being placed into production of which there is no assurance. The Company has no history upon which to base any assumption as to the likelihood that the business will prove successful, and the Company can provide no assurance to investors that it will generate any operating revenues or ever achieve profitable operations.

Due to the speculative nature of mineral property exploration, there is substantial risk that the Company's assets will not go into commercial production and the business will fail.

Exploration for minerals is a speculative venture involving substantial risk. The Company cannot provide investors with any assurance that the Company's claims and properties will ever enter into commercial production. The exploration work that the Company has completed on the Molo Graphite Mine claims may not result in the commercial production of graphite. The exploration work that the Company has completed on the Green Giant Vanadium Project may not result in the commercial production of vanadium or other minerals.

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.

As a result of public concern about the real or perceived detrimental effects of economic globalization and global climate impacts, businesses generally, and large multinational corporations in natural resources industries, face increasing public scrutiny of their activities. These businesses are under pressure to demonstrate that, as they seek to generate satisfactory returns on investment to shareholders, other stakeholders, including employees, governments, communities surrounding operations and the countries in which they operate, benefit and will continue to benefit from their commercial activities. Such pressures tend to be particularly focused on companies whose activities are perceived to have a high impact on their social and physical environment. The potential consequences of these pressures include reputational damage, legal suits, increasing social investment obligations and pressure to increase taxes and royalties payable to governments and communities.

In addition, the Company's ability to successfully obtain key permits and approvals to explore for, develop and operate mines and to successfully operate in communities around the world will likely depend on the Company's ability to develop, operate and close mines in a manner that is consistent with the creation of social and economic benefits in the surrounding communities, which may or may not be required by law. The Company's ability to obtain permits and approvals and to successfully operate in particular communities may be adversely impacted by real or perceived detrimental events associated with the Company's activities or those of other mining companies affecting the environment, human health and safety of communities in which the Company operates. Delays in obtaining or failure to obtain government permits and approvals may adversely affect the Company's operations, including its ability to explore or develop properties, commence production or continue operations. Key permits and approvals may be revoked or suspended or may be varied in a

manner that adversely affects the Company's operations, including its ability to explore or develop properties, commence production or continue operations.

The Company's business operations are subject to extensive laws and regulations governing worker health and safety and land use and the protection of the environment, which generally apply to air and water quality, protection of endangered, protected or other specified species, hazardous waste management and reclamation. The Company has made, and expect to make in the future, significant expenditures to comply with such laws and regulations. Compliance with these laws and regulations imposes substantial costs and burdens, and can cause delays in obtaining, or failure to obtain, government permits and approvals which may adversely impact the Company's closure processes and operations.

Because of the inherent dangers involved in mineral exploration, there is a risk that the Company may incur liability or damages as the Company conducts business.

The search for valuable minerals involves numerous hazards. As a result, the Company may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which the Company cannot, or may elect not, to insure against. The Company currently has no such insurance, but management intends to periodically review the availability of commercially reasonable insurance coverage. If a hazard were to occur, the costs of rectifying the hazard may exceed the Company's asset value and cause us to liquidate all of its assets.

The Company's operations are subject to environmental regulations, which could result in additional costs and operational delays. Environmental legislation is evolving in a manner that may require stricter standards, and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that any future changes in environmental regulation will not negatively affect the Company's projects.

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The Company has no insurance for environmental problems.

Insurance against environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production, has not been available generally in the mining industry. The Company has no insurance coverage for most environmental risks. In the event of a problem, the payment of environmental liabilities and costs would reduce the funds available to us for future operations. If the Company's is unable to full pay for the cost of remedying an environmental problem, the Company might be required to enter into an interim compliance measure pending completion of the required remedy.

Should the Company lose the services of key executives, the Company's financial condition and proposed expansion may be negatively impacted.

The Company depends on the continued contributions of the Company's executive officers to work effectively as a team, to execute its business strategy and to manage its business. The loss of key personnel, or their failure to work effectively, could have a material adverse effect on its business, financial condition, and results of operations. Specifically, the Company relies on Craig Scherba, the President and Chief Executive Officer and Marc Johnson, the Chief Financial Officer.

The Company does not maintain key man life insurance. Should the Company lose any or all of their services and the Company is unable to replace their services with equally competent and experienced personnel, the Company's operational goals and strategies may be adversely affected, which will negatively affect potential revenues.

Because access to the Company's properties may be restricted by inclement weather or proper infrastructure, its exploration programs are likely to experience delays.

Access to most of the properties underlying the Company's claims and interests is restricted due to their remote locations and because of weather conditions. Some of the Company's properties are only accessible by air. As a result, any attempts to visit, test, or explore

the property are generally limited to those periods when weather permits such activities. These limitations can result in significant delays in exploration efforts, as well as mining and production efforts in the event that commercial amounts of minerals are found. This could cause the Company's business to fail.

Climate change and related regulatory responses may impact the Company's business.

Climate change as a result of emissions of greenhouse gases is a current topic of discussion and may generate government regulatory responses in the near future. It is impracticable to predict with any certainty the impact of climate change on the Company's business or the regulatory responses to it, although the Company recognizes that they could be significant. However, it is too soon for us to predict with any certainty the ultimate impact, either directionally or quantitatively, of climate change and related regulatory responses.

To the extent that climate change increases the risk of natural disasters or other disruptive events in the areas in which the Company operates, the Company could be harmed. While the Company maintains rudimentary business recovery plans that are intended to allow us to recover from natural disasters or other events that can be disruptive to the Company's business, its plans may not fully protect us from all such disasters or events.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for management.

The Company's management team needs to devote significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

Tax risks.

Changes in tax laws or tax rulings could materially affect the Company's financial position and results of operations. Changes to, or differing interpretations of, taxation laws or regulations in Canada, Madagascar, the United States of America, or any of the countries in which the Company's assets or relevant contracting parties are located could result in some or all of the Company's profits being subject to additional taxation or other tax liabilities being applicable to the Company or its subsidiaries. Taxation laws are complex, subject to differing interpretations and applications by the relevant tax authorities. In particular, the tax treatment relating to the Company's corporate redomicile from the US to Canada is complex. There is no assurance that new taxation rules or accounting policies will not be enacted or that existing rules will not be applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on profitability, results of operations, financial condition and the trading price of the Company's securities. Additionally, the introduction of new tax rules or accounting policies, or changes to, or differing interpretations of, or application of, existing tax rules or accounting policies could make investments in or by the Company less attractive to counterparties. Such changes could adversely affect the Company's ability to raise additional funding or make future investments.

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Because from time to time the Company holds a significant portion of cash reserves in Canadian dollars, the Company may experience losses due to foreign exchange translations.

From time to time the Company holds a significant portion of cash reserves in Canadian dollars. Due to foreign exchange rate fluctuations, the value of these Canadian dollar reserves can result in translation gains or losses in U.S. dollar terms. If there was a significant decline in the Canadian dollar versus the U.S. dollar, the Company's converted Canadian dollar cash balances presented in U.S. dollars on its balance sheet would significantly decline. If the US dollar significantly declines relative to the Canadian dollar the Company's quoted US dollar cash position would significantly decline as it would be more expensive in US dollar terms to pay Canadian dollar expenses. The Company has not entered into derivative instruments to offset the impact of foreign exchange fluctuations. In addition, certain of the Company's ongoing expenditures are in South African Rand, Madagascar Ariary and Euros requiring us to occasionally hold reserves of these foreign currencies with a similar risk of foreign exchange currency translation losses.

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 operates in certain jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. Anti-corruption and anti-bribery laws in certain jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. The Company's corporate policies mandate compliance with these anti-bribery laws, which often carry substantial penalties. There can be no assurance that the Company's internal control policies and procedures always will protect it from recklessness, fraudulent behavior, dishonesty or other inappropriate acts committed by the Company's affiliates, employees or agents. As such, the Company's corporate policies and processes may not prevent all potential breaches of law or other governance practices. Violations of these laws, or allegations of such violations, could lead to civil and criminal fines and penalties, litigation, and loss of operating licenses or permits, and may damage the Company's reputation, which could have a material adverse effect on its business, financial position and results of operations or cause the market value of the Common Shares to decline.

The Company is exposed to general economic conditions, which could have a material adverse impact on its business, operating results and financial condition.

Recently there have been adverse conditions and uncertainty in the global economy as the result of unstable global financial and credit markets, inflation, and recession. These unfavorable economic conditions and the weakness of the credit market may continue to have, an impact on the Company's business and the Company's financial condition. The current global macroeconomic environment may affect the Company's ability to access the capital markets may be severely restricted at a time when the Company wishes or needs to access such markets, which could have a materially adverse impact on the Company's flexibility to react to changing economic and business conditions or carry on operations.

The market price for 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 market price for the Common Shares is characterized by significant price volatility when compared to seasoned issuers, and the Company expects that its share price will continue to be more volatile than a seasoned issuer. Such volatility is attributable to a number of factors. First, the Common Shares, at times, are thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of Common Shares by shareholders may disproportionately influence the price of those Common Shares in either direction. The price for the Common Shares could, for example, decline precipitously in the event that a large number of Common Shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Second, the Company is a speculative or "risky" investment due to the Company's limited operating history, lack of profits to date and uncertainty of future market acceptance for the Company's potential products. As a consequence, more risk-averse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond the Company's control and may decrease the market price of the Common Shares, regardless of the Company's performance. The Company cannot make any predictions as to what the prevailing market price for the Common Shares will be at any time or as to what effect that the sale of Common Shares or the availability of Common Shares for sale at any time will have on the prevailing market price.

Securities of small-cap and mid-cap companies have experienced substantial volatility in the recent past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in graphite prices and demand, the U.S. dollar, the Malagasy ariary, the Canadian dollar, and the Company's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Company that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in its securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause its securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

The Company does not intend to pay dividends in the foreseeable future.

The Company does not anticipate paying cash dividends in the foreseeable future. The Company may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, the Company may nevertheless decide, in its sole discretion, not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of the Company's operations, cash flows and financial condition, operating and capital requirements, and other factors the board of directors may consider relevant. There is no assurance that the Company will pay any dividends in the future, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

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SUMMARIZED QUARTERLY DATA

	Three months ended June 30, 2021	Three months ended March 31, 2021	Three months ended December 31, 2020	Three months ended September 30, 2020
Revenues	\$ -	\$ -	\$ -	\$ -
Mine development expenses				
Mineral claims (Madagascar)	(10,197)	(9,890)	23,422	-
Payroll and benefits	-	-	-	-
Engineering and metallurgical (Canada, South Africa)	28,763	-	-	9,835
Consulting fees (Madagascar)	164,220	27,476	73,939	-
Travel	16,100	-	-	-
Commercial production success fee	-	-	-	-
Total mine development expenses	198,886	17,586	97,361	9,835
Exploration and evaluation expenses				
Mineral claims (Canada)	12,810	844	1,297	384
Mineral claims (Madagascar)	(29,974)	-	34,423	-
Exploration Camp and Admin (Madagascar)	11,614	4,318	5,016	6,083
Total exploration and evaluation expenses	(5,550)	5,162	40,736	6,467
General and administrative expenses				
Payroll and benefits	186,316	108,255	96,570	92,378
Consulting Fees	115,060	97,284	76,857	94,640
Legal Fees	27,424	32,348	21,895	17,649
Professional Fees	41,033	49,539	44,158	20,378
Public filing expenses	41,341	35,681	24,446	30,455
Travel expenses	20,656	436	-	2,307
Investor relation expenses	10,415	12,605	2,760	5,830
Insurance expenses	9,554	6,610	7,475	7,177
Rent expenses	4,977	5,105	5,329	4,446
Office and admin	16,107	9,206	4,096	8,003
Total general and administrative expenses	472,883	357,069	283,586	283,263
Share-based compensation	(48,932)	3,772,435	20,669	-
Amortization of plant and equipment	1,745	1,804	1,521	1,522
Finance costs	266	321	730	-
Foreign currency translation (gain) loss	136,898	(4,423)	(14,972)	(16,251)
Interest (income)	(104)	-	-	-

Interest expense	128	-	(626)	771
Royalty Fee	-	-	-	-
Flow through provision (gain) or loss	(146,814)	-	-	-
Foreign taxes	92	-	-	-
Sub-total before other items	609,498	4,149,954	429,005	285,607
Change in value of warrant liability	26,810,060	8,560,319	1,120,933	(4,892)
Government assistance	-	-	-	-
Net loss for the year	(27,419,558)	(12,710,273)	(1,549,938)	(280,715)
Other comprehensive income				
<i>Items that will be reclassified subsequently to net loss</i>				
Translation adjustment for foreign operations	134,846	1,617	(2,369)	545
Net loss and comprehensive loss for the year	\$ (27,284,712)	\$ (12,708,656)	\$ (1,552,307)	\$ (280,170)
Working capital (deficit) surplus	(24,500,482)	(3,952,895)	(1,761,218)	(269,775)

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	Three months ended	Three months ended	Three months ended	Three months ended
	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Revenues	\$ -	\$ -	\$ -	\$ -
Mine development expenses				
Mineral claims (Madagascar)	68,954	25,000	-	-
Payroll and benefits	-	-	-	-
Engineering and metallurgical (Canada, South Africa)	-	-	20,000	44,850
Consulting fees (Madagascar)	-	-	-	-
Travel	-	-	19,088	-
Commercial production success fee	-	-	-	-
Total mine development expenses	68,954	25,000	39,088	44,850
Exploration and evaluation expenses				
Mineral claims (Canada)	921	1,363	3,030	1,309
Mineral claims (Madagascar)	50,000	-	-	-
Exploration Camp and Admin (Madagascar)	(24,866)	5,789	21,552	7,012
Total exploration and evaluation expenses	26,055	7,152	24,582	8,321
General and administrative expenses				
Payroll and benefits	87,671	122,815	114,439	111,412
Consulting Fees	86,874	76,726	95,334	99,570
Legal Fees	9,005	9,896	(49,246)	59,689
Professional Fees	31,440	24,009	18,957	20,991
Public filing expenses	3,364	12,710	30,575	25,488
Travel expenses	(9,688)	13,652	18,488	12,916
Investor relation expenses	2,764	2,747	2,740	14,742
Insurance expenses	9,748	2,877	5,759	4,240
Rent expenses	4,214	4,516	5,464	4,917
Office and admin	4,271	1,208	12,577	5,581
Total general and administrative expenses	229,663	271,156	255,087	359,546
Amortization of plant and equipment	6,053	-	-	-
Share-based compensation	-	-	-	-
Finance costs	-	-	-	-

Foreign currency translation (gain) loss	4,155	(2,414)	4,120	(2,309)
Interest (income)	-	-	-	-
Interest expense	1,621	276	156	45
Royalty Fee	-	-	-	-
Flow through provision (gain) or loss	-	-	-	-
Foreign taxes	86	(83)	769	-
Sub-total before other items	336,587	301,087	323,802	410,453
Change in value of warrant liability	100,323	(266,431)	20,178	(241,010)
Government assistance	(7,353)	-	-	-
Net loss for the year	(429,557)	(34,656)	(343,980)	(169,443)
Other comprehensive income				
<i>Items that will be reclassified subsequently to net loss</i>				
Translation adjustment for foreign operations	3,314	(343)	3,970	(3,745)
Net loss and comprehensive loss for the year	\$ (426,243)	\$ (34,999)	\$ (340,010)	\$ (173,188)
Working capital (deficit) surplus	(918,048)	(484,374)	(449,374)	(839,074)

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THREE-YEAR FINANCIAL AND OPERATING SUMMARY

The following is selected annual information for the three most recently completed financial years:

	Year ended June 30, 2021 \$	Year ended June 30, 2020 \$	Year ended June 30, 2019 \$
Revenues	\$ -	\$ -	\$ -
Mine development expenses	323,668	179,256	965,468
Exploration and evaluation expenses	46,815	66,110	137,926
General and administrative expenses	1,396,801	1,114,087	1,533,515
Net loss and comprehensive loss for the year	(41,825,845)	(974,439)	(3,168,791)
Weighted-average common shares (basic and diluted)	66,654,804	52,720,608	49,358,647
Net loss per common share (basic and diluted)	(0.63)	(0.02)	(0.07)
Total assets	26,919,591	273,439	613,403
Total non-current liabilities	6,335,975	10,679	-
Dividends	-	-	-

QUALIFIED PERSON

Craig Scherba, P.Geo., the Company's President and Chief Executive 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 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.

As of June 30, 2021, 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 June 30, 2021, 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.

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 June 30, 2021.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the year ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

OTHER INFORMATION

Additional information related to the Company, including the Company's Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com or on the Company website at www.nextsourcemat.com.



**NOTICE AND
MANAGEMENT INFORMATION CIRCULAR
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON
MONDAY, DECEMBER 6, 2021**



**NEXTSOURCE MATERIALS INC.
NOTICE OF THE 2021 ANNUAL MEETING OF SHAREHOLDERS**

I am pleased to give you notice that the 2021 Annual and Special Meeting (the “**Meeting**”) of holders (the “**Shareholders**”) of common shares (the “**Shares**”) of NextSource Materials Inc. (the “**Company**”) will be held virtually via live audio webcast available online using <https://us02web.zoom.us/j/87253620393> on Monday, December 6, 2021 at 10:30 a.m. (Toronto time) for the following purposes:

1. Receive the financial statements of the Company for the fiscal year ended June 30, 2021 and the Auditors’ Report thereon.
2. Elect six (6) directors of the Company, each to hold their offices until the next annual meeting of the Shareholders or until their successors have been duly elected and qualified or until the earlier of their resignation, removal or death.
3. Approve the re-appointment of MNP LLP, Chartered Accountants, as the Company’s auditors for the fiscal year ending June 30, 2022 and to authorize the Board of Directors to fix their remuneration.
4. Transact other business as may properly come before the Meeting or any adjournments thereof.

Particulars of the foregoing matters are set forth in the accompanying Management Information Circular dated October 25, 2021 (the “**Circular**”). The Board of Directors has fixed the close of business on October 25, 2021 at 5:00 p.m. (Toronto time) as the record date for the Meeting. Only registered Shareholders on the record date are entitled to notice of, and to vote at, the Meeting.

The Company will be using the notice-and-access model provided under National Instrument 51-102 – *Continuous Disclosure Obligations* and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**Notice and Access**”) for the delivery of the Circular and other related materials of the Meeting (the “**Meeting Materials**”) to Shareholders. Under *Notice and Access*, instead of receiving printed copies of the Meeting Materials, Shareholders receive a package in the mail containing: (i) information on the Meeting date, location and purpose; (ii) a form of proxy or voting instruction form so Shareholders can vote their Shares; and (iii) information on how they may electronically access the Meeting Materials. However, the Company will mail paper copies of the Meeting Materials to those Registered and Non-Registered Shareholders who have previously elected to receive paper copies of the Meeting Materials. All of the Meeting Materials will be available electronically at <https://docs.tsxtrust.com/2084> and on SEDAR at www.sedar.com on or about November 5, 2021 and will remain on the website for one full year thereafter. Meeting Materials are also available on the Company website and are available upon request, without charge, by e-mail at TMXEInvestorServices@tmx.com, by calling toll-free 1-866-600-5869 or by following the instructions on their form of proxy or voting instruction form. Requests must be received at least 5 business days prior to the proxy cut-off date.

ALL SHAREHOLDERS ARE ENCOURAGED TO VOTE IN ADVANCE USING VOTEPROXYONLINE.COM OR BY RETURNING THE FORM OF PROXY/VOTING INSTRUCTION FORM.

If you hold your Shares directly (that is, as a “**Registered Shareholder**”), you can submit your proxy votes online through voteproxyonline.com using the control number that has been provided on the form of proxy/voting instruction form. You can also complete, date, sign and return the accompanying form of proxy/voting instruction form in the enclosed envelope to the TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada, M5H 4H1, Attention: Proxy Department, prior to 10:30 a.m. (Toronto time) on December 2, 2021.

If you hold your Shares in “street name” (that is, as a “**Non-Registered Shareholder**”), complete, date and sign the voting instruction form that has been provided by your broker, bank or other nominee and return it in the enclosed envelope in accordance with the instructions provided by your broker, bank or other nominee.

Any Shareholder that would like to attend the Meeting can join **ELECTRONICALLY** by logging into the live audio webcast available online using <https://us02web.zoom.us/j/87253620393>. The Meeting can also be accessed by dialing (647) 374-4685 and using Zoom meeting code 872 5362 0393. Prior to attending, all attendees **MUST** obtain the Zoom meeting PASSCODE in order to login. The passcode can be obtained by sending an email that includes your full name (as it appears on your proxy/voting instruction form) and contact information to info@nextsourcematerials.com at least three (3) business days prior to the Meeting date. Registered Shareholders that attend electronically and that have not already voted by proxy will be permitted to vote their Shares during the Meeting by voting when prompted during the Meeting.

The Meeting for which this notice is given may be adjourned without further notice other than announcement at the Meeting or any adjournment thereof. Any business for which notice is hereby given may be transacted at any such adjourned Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “Craig Scherba”

Craig Scherba,

President and Chief Executive Officer



**NEXTSOURCE MATERIALS INC.
MANAGEMENT INFORMATION CIRCULAR
FOR THE 2021 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

INTRODUCTION

This Management Information Circular (the “Circular”) is provided in connection with the solicitation by or on behalf of management of the Company by the board of directors (the “Board”) of NextSource Materials Inc. (“NextSource” or the “Company”) of proxies for use at the Annual and Special Meeting of Shareholders to be held on December 6, 2021 (the “Meeting”).

Unless otherwise stated, the information contained in this Circular is as of October 25, 2021. All dollar amounts referenced herein, unless otherwise indicated, are expressed in United States dollars and Canadian dollars are referred to as “CAD”. All references to Shareholders in this Circular and the accompanying Form of Proxy and Notice of Meeting are to be shareholders of record unless specifically stated otherwise.

No person is authorized to give any information or to make any representation other than those contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Company. The delivery of this Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date hereof.

The Company is listed on the Toronto Stock Exchange (“TSX”) in Canada (ticker: NEXT), on the OTCQB in the United States of America (ticker: NSRC) and on the Frankfurt, Germany Stock Exchange (ticker: A1CXW3). Our principal business office is located at 130 King Street West, Exchange Tower Suite 1940, Toronto, Ontario, Canada M5X 2A2.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Circular contains forward-looking statements within the meaning of U.S. securities laws and forward-looking information within the meaning of Canadian securities laws (collectively, “**forward-looking statements**”) and are intended to be covered by the safe harbors provided by such regulations. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements in this Circular include, but are not limited to the future success of the Company.

Forward-looking statements are not guarantees of future performance. They are based on current expectations that involve a number of risks, uncertainties and assumptions that could cause our future results to differ materially from those expressed in any forward-looking statements. The assumptions upon which such forward-looking statements are based include, but are not limited to, 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 render the Molo Graphite Mine potentially 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. The assumptions underlying our forward-looking statements are based on judgments with respect to a number of factors that are difficult or impossible to predict accurately, and many of which are beyond our control. Accordingly, although we believe that the assumptions underlying the forward-looking statements are reasonable, any such assumption could prove to be inaccurate and therefore there can be no assurance that the results contemplated in forward-looking statements will be realized.

Important factors that may cause our actual results to differ from our forward-looking statements include, but are not limited to, the risks outlined in the annual information form of the Company dated September 28, 2021 (the “**2021 Annual Information Form**”) and in the management’s discussion and analysis of the Company for the year ended June 30, 2021 (the “**MD&A**”).

In light of the significant uncertainties inherent in our forward-looking statements, there can be no assurance that the forward-looking statements contained in this Circular will in fact occur, and the inclusion of such forward-looking statements in this Circular should not be construed as a representation by us or any other person that our predicted or expected outcomes will be achieved. You should carefully consider the risks disclosed in the 2021 Annual Information Form and MD&A before deciding how to vote.

Additionally, you are cautioned that our Company does not have a policy of updating or revising forward-looking statements, other than in compliance with applicable securities laws, and thus, you should not assume that silence by our management over time means that actual events are bearing out as estimated in such forward-looking statements.

SOLICITATION OF PROXIES

This Circular is being sent to the Shareholders of NextSource in connection with the solicitation by or on behalf of management of the Company by its Board in connection with the Meeting to be held virtually via live audio webcast available online using <https://us02web.zoom.us/j/87253620393> on December 6, 2021 at 10:30 a.m. (Toronto time), or at any adjournment or postponement thereof.

Proxies will be solicited primarily by mail but may also be solicited personally, by telephone or electronically by the regular employees of the Company at nominal costs.

The proxy cut-off date for Shares to be voted in advance of the Meeting will be December 2, 2021 at 10:30 a.m. (Toronto time).

Record Date

Registered Shareholders at the close of business on October 25, 2021, the record date for the Meeting, are entitled to receive this Circular and to vote at the Meeting and at any adjournment or postponement thereof. Shareholders have one vote per Share on each matter to be acted upon. A list of the Registered Shareholders entitled to vote will be available at the Meeting and for 10 days prior to the Meeting, for any purpose germane to the Meeting, between the hours of 9:00 a.m. and 4:30 p.m. (Toronto time) at the Company's principal office at 130 King Street West, Exchange Tower, Suite 1940, Toronto, Ontario, Canada M5X 2A2.

Notice and Access

The Company will be using the notice and access model ("**Notice and Access**") provided under National Instrument 51-102 – *Continuous Disclosure Obligations* and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") for the delivery of the Circular and other related materials of the Meeting (the "**Meeting Materials**") to Shareholders for the Meeting. Under Notice and Access, instead of receiving printed copies of the Meeting Materials, Shareholders receive a package (the "**Notice and Access Package**") in the mail containing: (i) information on the Meeting date, location and purpose; (ii) a form of proxy or voting instruction form so Shareholders can vote their Shares; and (iii) information on how they may electronically access the Meeting Materials. However, the Company will continue to mail paper copies of the Meeting Materials to those Shareholders who have previously elected to receive paper copies of the Meeting Materials.

Meeting Materials

All of the Meeting Materials will be available electronically at <https://docs.tsxtrust.com/2084> and on SEDAR at www.sedar.com on or about November 5, 2021 and will remain on the website for one full year thereafter. Meeting Materials are also available on the Company website and are available upon request, without charge, by e-mail at TMXEInvestorServices@tmx.com, by calling toll-free 1-866-600-5869 or by following the instructions on their form of proxy or voting instruction form. Requests must be received at least 5 business days prior to the proxy cut-off date.

Appointment of Proxies

The persons named in the enclosed Form of Proxy or Voting Instruction Form are directors and/or officers of the Company ("Management Proxies"). A Shareholder has the right to appoint another person or company (who need not be a Shareholder of the Company), other than the Management Proxies designated in the accompanying Form of Proxy or Voting Instruction Form, to represent the Shareholder at the Meeting.

The right to appoint proxies may be exercised by inserting the name of such person or company in the blank space provided in the proxy or by completing another proper form of proxy or voting instruction form. In all cases, the completed proxy is to be delivered to the TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, Ontario, Canada, M5H 4H1, Attention: Proxy Department, by December 2, 2021 at 10:30 a.m. (Toronto time). **You can also submit your proxy votes online through voteproxyonline.com and using the control number that will be provided on the form of proxy/voting information form.**

Instructions for Registered Shareholders

If your Shares are registered directly in your name with the Company's transfer agent, TSX Trust Company, you are considered, with respect to those Shares, a registered Shareholder (each, a "**Registered Shareholder**"). The Notice and Access Package has been sent directly to you on the Company's behalf at the address on file with TSX Trust Company. The Company has engaged the TSX Trust Company, to handle the setup, mailing and tabulation of proxies in relation to the Meeting.

If you are a Registered Shareholder, you can vote your Shares using any one of the following methods:

1. In advance via the internet at www.voteproxyonline.com;
2. In advance by signing and returning the enclosed form of proxy appointing the named persons or some other person you choose, who need not be a Shareholder, to represent you as proxyholder and vote your Shares at the Meeting; **OR**
3. By attending the virtual Meeting on December 6, 2021 and voting during the live audio webcast as follows:

- a. Prior to attending, all attendees MUST obtain the Zoom meeting PASSCODE in order to login. The passcode can be obtained by sending an email that includes your full name (as it appears on your proxy/voting instruction form) and contact information to info@nextsourcematerials.com at least three (3) business days prior to the Meeting date.
 - b. Log using <https://us02web.zoom.us/j/87253620393> at least 15 minutes before the start of the Meeting. The Meeting can also be accessed by dialing (647) 374-4685 and using Zoom meeting code 872 5362 0393.
 - c. Registered Shareholders should allow ample time to check into the Meeting and to complete the related procedures.
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Voting Instructions for Non-Registered Shareholders

If your Shares are held in “street name” through a broker, bank or other nominee (such as CDS & Co.), you are considered a non-registered Shareholder (each, a “**Non-Registered Shareholder**”). In accordance with NI 54-101, arrangements have been made to forward proxy solicitation materials to the Non-Registered Shareholders. The Notice and Access Package has been forwarded, if requested, to you by your broker, bank or other holder of record who is considered, with respect to those Shares, the Registered Shareholder.

If you are a Non-Registered Shareholder, you will have received voting instructions from your broker, bank or other holder of record who is considered, with respect to those Shares, the Registered Shareholder. As a Non-Registered Shareholder, you have the right to direct your broker, bank or other holder of record on how to vote your Shares by using the voting instruction form included in the Notice and Access Package or as otherwise provided to you by your broker, bank, or other nominee. Non-Registered Shareholders should complete, date and sign the voting instruction form that has been provided by your broker, bank or other nominee and return it in the enclosed envelope in accordance with the instructions provided by your broker, bank or other nominee.

Non-Registered Shareholders may attend at the Meeting on December 6, 2021 as follows:

- a. Prior to attending, all attendees MUST obtain the Zoom meeting PASSCODE in order to login. The passcode can be obtained by sending an email that includes your full name and contact information to info@nextsourcematerials.com at least three (3) business days prior to the Meeting date.
- a. Log using <https://us02web.zoom.us/j/87253620393> at least 15 minutes before the start of the Meeting. The Meeting can also be accessed by dialing (647) 374-4685 and using Zoom meeting code 872 5362 0393.

Voting Instructions for Proxyholders

Duly appointed proxyholders, including Non-Registered Shareholders who have been duly appointed by a Registered Shareholder as proxyholder, can access and vote at the Meeting during the live audio webcast as follows:

- a. Prior to attending, all attendees MUST obtain the Zoom meeting PASSCODE in order to login. The passcode can be obtained by sending an email that includes your full name (as it appears on your proxy/voting instruction form) and contact information to info@nextsourcematerials.com at least three (3) business days prior to the Meeting date.
- a. Log using <https://us02web.zoom.us/j/87253620393> at least 15 minutes before the start of the Meeting. The Meeting can also be accessed by dialing (647) 374-4685 and using Zoom meeting code 872 5362 0393.
- b. Proxyholders should allow ample time to check into the Meeting and to complete the related procedures.

The grant of a proxy on the enclosed form of proxy or voting instruction form does not preclude a Shareholder from voting in person. Registered Shareholders that attend electronically and that have not already voted by proxy will be permitted to vote their Shares during the Meeting by voting when prompted during the Meeting.

Manner of Voting by Management Proxies

Your Shares will be voted at the Meeting by Management Proxies in accordance with the instructions contained in the form of proxy or voting instruction form. Your Shares will be voted for or against the Transaction Resolution in accordance with your instructions on any ballot that may be called for and, if you specify a choice with respect to any matter to be acted upon, your Shares will be voted accordingly.

IF YOU RETURN A SIGNED FORM OF PROXY OR VOTING INSTRUCTION FORM WITHOUT INDICATING YOUR VOTE, YOUR SHARES WILL BE VOTED “FOR” THE TRANSACTION RESOLUTION PUT FORTH AT THE MEETING.

Revocability of Proxies

A Registered Shareholder may revoke a proxy at any time prior to your proxy being voted: (i) by delivering to the Company’s President and Chief Executive Officer, prior to the Meeting, a written notice of revocation bearing a later date or time than the proxy; or (ii) by timely delivery of a valid, later dated proxy; or (iii) by electronically attending the Meeting and voting in person. Attendance at the Meeting will not by itself constitute revocation of a proxy. If an adjournment occurs, it will have no effect on the ability of Registered Shareholders as of the record date to exercise their voting rights or to revoke any previously delivered proxies. We do not expect to adjourn the Meeting for a period of time long enough to require the setting of a new record date.

Solicitation Costs

The Company will pay the cost of solicitation of proxies on behalf of the Board. In addition to mail, proxy solicitation may be made through other means, including by telephone, electronically, and personal interview by officers, directors and employees. The Company does not intend to pay for an intermediary to deliver to Objecting Beneficial Owners, or “OBOs” (within the meaning of such term under NI 54-101, the proxy-related materials and Form 54-101F7), and therefore OBOs will not receive the materials unless their intermediary assumes the costs of delivery. The Company is sending proxy related material to Non-Objecting Beneficial Owners.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Company is authorized to issued an unlimited number of Shares.

As of the date hereof, the Company has 99,026,656 Shares issued and outstanding, all of which are Shares, each of which carries the right to one vote on all matters that may come before the Meeting.

To the knowledge of the Company, with the exception of what is provided herein, as of the date hereof, no director, executive officer, or person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Company.

As of the date of this Circular, Vision Blue Resources Limited (“Vision Blue”), is the beneficial owner of 35,214,286 common shares representing 35.6% of the issued and outstanding common shares of the Company. Vision Blue is also the beneficial owner of 23,214,286 common share purchase warrants each exercisable at a price of CAD\$1.00 (approximately USD\$0.80) until May 19, 2023. If all outstanding warrants, stock options and restricted share units were exercised, Vision Blue would be the beneficial owner of 58,578,572 common shares representing 46.0% of the fully diluted common shares of the Company.

QUORUM

The presence in person or by proxy of two persons holding at least ten percent (10%) of the outstanding Shares of the Company constitutes a quorum for the Meeting. There are no cumulative voting rights. The scrutineer who will be appointed for the Meeting will tabulate votes cast by proxy or in person and will determine whether or not a quorum is present.

INTEREST OF CERTAIN PERSON IN MATTERS TO BE ACTED UPON

No director or officer of the Company, nor any person who has held such a position since the beginning of the last completed financial year-end of the Company, nor any proposed nominee for election as a director of the Company, nor any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter of business to be acted upon at the Meeting, other than the election of directors of the Company and as may otherwise be set out herein.

Pursuant to the Vision Blue Investment Agreement announced on February 8, 2021, the Chairman of Vision Blue, Sir Mick Davis, was appointed as Chair of the Board of Directors of the Company on March 15, 2021 and the second Vision Blue appointee, Ian Pearce, was appointed to the Board of Directors of the Company on July 14, 2021.

PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

1. FINANCIAL STATEMENTS

The audited financial statements of the Company for the year ended June 30, 2021, together with the auditor's report thereon, will be presented to the Shareholders at the Meeting. The Company's financial statements and management discussion and analysis are on available on SEDAR at www.sedar.com.

2. ELECTION OF DIRECTORS

General Information

Under TSX rules, listed issuers must elect directors annually, elect directors individually and publicly disclose the votes received for the election of each director by news release. The Company's practice is to hold annual elections for directors and at meetings of Shareholders called for this purpose. Each director is elected individually. The Company will disclose the votes each nominee for election receives by way of press release in Canada.

Directors of the Company will hold their offices until the next annual meeting of Shareholders or until their successors have been duly elected and qualified or until the earlier of resignation, removal of office or death. Executive officers of the Company are appointed by the Board to serve until their successors are elected and qualified.

Advance Notice Provision

The Company's existing by-laws include an advance notice provision for nominations of directors by Shareholders in certain circumstances. As at the date hereof, the Company had not received notice of any director nominations in connection with the Meeting within the time periods prescribed under the advance notice provision. A copy of the Company's advance notice provision is available on the Company's website at www.nextsourcematerials.com under the "Corporate Policies & Governance" caption.

Majority Voting Policy

The Company has adopted a majority voting policy stipulating that if the votes in favour of the election of a director nominee at a Shareholders' meeting represent less than a majority of the Shares voted and withheld at such meeting, the nominee will submit their resignation promptly after such meeting, for the Governance Committee's consideration. The Governance Committee will make a recommendation to the Board after reviewing the matter, and the Board's decision to accept or reject the resignation offer will be disclosed to the public. The nominee will not participate in any Governance Committee or Board deliberations relating to the resignation offer. The policy does not apply in circumstances involving a proxy battle or contested director elections.

Nominees for Election to the Board of Directors

The following table sets forth information relating to the six (6) nominees for election to the Board. There are no family relationships between any director or executive officer of the Company.

Name	Age	Company Position	Principal Occupation ⁽¹⁾	Director Since	# and % of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly ⁽²⁾
Sir Mick Davis (London, UK)	63	Chair of the Board of Directors	CEO of Vision Blue Resources Limited	March 2021	35,214,286 ⁽⁷⁾ (35.7%)
Craig Scherba ⁽⁶⁾	49	Director, and			204,000

(Oakville, ON, Canada)		President & Chief Executive Officer		January 2010	(0.2%)
Brett Whalen ⁽³⁾ (Markham, ON, Canada)	46	Director	Professional investor	July 2020	650,000 (0.7%)
Robin Borley ⁽⁶⁾ (Johannesburg, South Africa)	53	Director, and Chief Operating Officer		December 2013	979,563 (1.0%)
Christopher Kruba ⁽³⁾⁽⁴⁾⁽⁵⁾ (Windsor, ON, Canada)	46	Director	Vice-President and Senior Counsel of Nostrum Capital Corporation	December 2020	310,000 (0.3%)
Ian Pearce ⁽³⁾⁽⁶⁾ (Oakville, ON, Canada)	64	Director	Chair of the Board of Directors of Newgold Inc., Northland Power Inc., and Metso Outotec	July 2021	Nil (0.0%)

(1) Other than Company Position as described by the respective individual.

(2) The number of securities beneficially owned or controlled or directed, directly or not directly, is not within the knowledge of the Company and has been furnished by the respective individual.

(3) Ian Pearce, Brett Whalen, and Christopher Kruba are independent directors of the Company.

(4) The members of the Audit Committee are Christopher Kruba (Chair), Brett Whalen, and Ian Pearce.

(5) The members of the Governance Committee are Brett Whalen (Chair), Christopher Kruba, and Ian Pearce.

(6) The members of the Sustainability Committee are Ian Pearce (Chair), Craig Scherba and Robin Borley.

(7) These represent the Shares owned by Vision Blue Resources Limited.

Biographies of the Nominees to the Board of Directors of the Company

Sir Mick Davis (London, UK)

Sir Mick Davis has been a director since March 2021. Sir Mick Davis is a highly successful mining executive credited with building Xstrata Plc into one of the world's largest global diversified mining and metals companies prior to its acquisition by Glencore Plc. Mr. Davis also served as CFO of Billiton Plc, Chairman of Billiton Coal, and as CFO of Eskom. During his career in mining, he has raised over US\$40 billion from global capital markets and successfully completed over US\$120 billion of corporate transactions, including the creation of the Ingwe Coal Corporation in South Africa; the listing of Billiton on the London Stock Exchange; the merger of BHP and Billiton; as well as numerous transactions at Xstrata culminating in the sale to Glencore Plc. Sir Mick Davis is a Chartered Accountant by profession and holds an honours degree in Commerce from Rhodes University, South Africa and an Honorary Doctorate from Bar Ilan University, Israel.

Craig Scherba, P.Geol. (Oakville, Canada)

Mr. Scherba was appointed as the President and Chief Executive Officer of the Company in August 2015 and has been a director since January 2010. Mr. Scherba served as President and Chief Operating Officer from September 2012 to August 2015 and Vice President, Exploration of the Company from January 2010 to September 2012. Mr. Scherba has been a professional geologist (P. Geol.) since 2000, and his expertise includes supervising large Canadian and international exploration. Mr. Scherba also serves as Vice President, Exploration of MacDonald Mines Exploration Ltd, Red Pine Exploration Inc. and Honey Badger Exploration Inc. which are resource exploration companies trading on the TSX Venture Exchange. In addition, Mr. Scherba was professional geologist with Taiga Consultants Ltd. ("Taiga"), a mining exploration consulting company from March 2003 to December 2009. He was a managing partner of Taiga between January 2006 and December 2009. Mr. Scherba was an integral member of the exploration team that developed Nevsun Resources' high-grade gold, copper and zinc Bisha project in Eritrea. While at Taiga, Mr. Scherba served as the Company's Country and Exploration Manager in Madagascar during its initial exploration stage.

Robin Borley (Johannesburg, South Africa)

Mr. Borley was appointed our Senior Vice President (“SVP”) of Mine Development in December 2013 and has been a director since December 2013. Mr. Borley is a Graduate mining engineering professional and a certified mine manager with more than 25 years of international mining experience building and operating mining ventures. He has held senior management positions both internationally and within the South African mining industry. Until October 2014, Mr. Borley served as Mining Director for DRA Mineral Projects. In addition, Mr. Borley was instrumental as the COO of Red Island Minerals in a developing a Madagascar coal venture. His diverse career has spanned resource project management, evaluation, exploration and mine development. Robin has completed several mine evaluations including operational and financial evaluations of new and existing operations across a diverse range of resource sectors. He has experience in the management of underground and surface mining operations from both the contractor and owner miner environments. From 2006 through to 2012, Robin participated in the BEE management buy-out transaction of the Optimum Colliery mining property from BHP, through its independent listing and its ultimate sale to Glencore in December 2012.

Brett Whalen (Markham, Canada)

Brett Whalen has been a director since July 2020 and was appointed as Chair of the Board of Directors from July 2020 until March 2021. Mr. Whalen has over 20 years of investment banking and M&A expertise, spending over 16 of those years at Dundee Corporation (Dundee Corp.). During his tenure at Dundee Corp., Mr. Whalen was directly involved in completing approximately \$2 billion in M&A deals and helped raise over \$10 billion dollars in capital to the resource sector. Mr. Whalen became Vice President and Portfolio Manager of Goodman and Company (a division of Dundee) and was President and CEO of the CMP Group of Companies. Mr. Whalen has held Board seats of several TSX-listed and privately held companies and holds a BA (Honours) degree in Economics and Finance from Wilfrid Laurier University.

Christopher Kruba (Windsor, Canada)

Christopher Kruba is Vice-President and Counsel to Nostrum Capital Corporation and a number of related corporations that are part of the Toldo Group. The Toldo Group is headquartered in Windsor, Ontario and is composed of several privately held corporations in Canada and the United States, some of which manufacture and operate in diversified sectors and others which are involved in active and passive investments across capital markets throughout North America, Europe and Africa. In addition to his responsibilities as counsel to the Toldo Group Mr. Kruba serves as corporate secretary to all the companies, is a member of group’s investment committee and he serves on the board of directors of many of the companies. In his roles Mr. Kruba is involved in capital market decisions, he has lead mergers and acquisitions and he has participated in the management and strategic planning for numerous companies, including venture capital corporations in which the group has invested. Prior to joining the Toldo Group in 2000 Mr. Kruba articulated with and practiced at the law firm of Gignac, Sutts LLP in Windsor, Ontario. Mr. Kruba graduated from the University of Windsor’s Faculty of Law in 1998 and has been a Member of the Law Society of Ontario since 1999. Nostrum Capital Corporation and Mr. Kruba personally have been investors in NextSource Materials Inc. since 2011.

Ian Pearce (Toronto, Canada)

Ian Pearce is a Corporate Director with over 40 years of professional experience in the global metallurgy and mining related industries. Mr. Pearce held executive roles at Falconbridge Limited, including Chief Operating Officer and subsequently served as Chief Executive Officer of Xstrata Nickel, a subsidiary of Xstrata plc. He has also held senior engineering and project management roles managing numerous significant development projects in the mining extractives sector. Mr. Pearce currently is a Director of New Gold Inc, where he is Chair of the Board, a Director of Metso Outotec Corporation and a Director of Northland Power Inc. Mr. Pearce holds a Higher National Diploma in Engineering (Mineral Processing) from the University of Johannesburg and a Bachelor of Science degree from the University of the Witwatersrand in South Africa. Mr. Pearce’s principal occupation is as a corporate director.

Recommendation

The Board recommends that Shareholders vote “FOR” the election of each of the nominated directors.

3. APPROVAL OF RE-APPOINTMENT OF MNP LLP AS AUDITORS

General Information

MNP LLP served as auditor for the fiscal year ended June 30, 2021. At the Meeting, the Shareholders will vote to approve the re-appointment of MNP LLP, as the Company's auditors for the fiscal year ending June 30, 2022 and to authorize the Board to fix their remuneration.

At the Meeting, shareholders will be asked to consider the following resolution:

NOW THEREFORE BE IT HEREBY RESOLVED THAT:

1. Approve the re-appointment of MNP LLP, Chartered Accountants, as the Company's auditors for the fiscal year ending June 30, 2022 and to authorize the Board of Directors to fix their remuneration.

If Shareholders fail to ratify the selection, it will be considered as a direction to the Board to consider the selection of a different independent registered public accounting firm for the fiscal year ending June 30, 2022. Even if the selection is ratified, the Board in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and Shareholders.

Recommendation

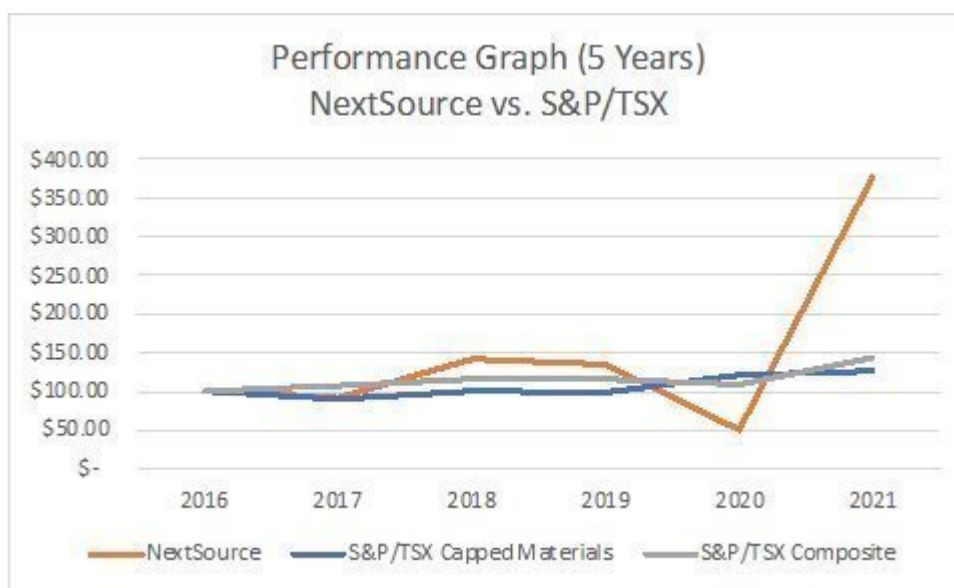
The Board recommends that Shareholders vote "FOR" the ratification of the re-appointment of MNP LLP, as the Company's auditors for the fiscal year ending June 30, 2022 and to authorize the Board to fix their remuneration.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

Management knows of no matters to come before the Meeting other than the matters referred to in the notice of Meeting. Receipt at the Meeting of reports to the Directors and auditors and the Company's financial statements for its last completed financial year and the auditors' report thereon will not constitute approval or disapproval of any matters referred to therein. If any matters which are not now known should properly come before the Meeting, the accompanying form of proxy will be voted on such matters in accordance with the best judgment of the person voting it.

STOCK PERFORMANCE GRAPH

The following table and graph compares the cumulative total shareholder return for CDN\$100 invested in Shares of the Company on June 30, 2016 against the cumulative total shareholder return of the S&P/TSX Capped Materials Index and the S&P/TSX Composite Index to June 30, 2021.



June 30	2016	2017	2018	2019	2020	2021
NextSource Materials Inc.	\$100.00	\$92.86	\$142.86	\$135.71	\$50.00	\$377.14
S&P/TSX Capped Materials Index	\$100.00	\$90.97	\$100.53	\$99.53	\$122.40	\$126.27
S&P/TSX Composite Index	\$100.00	\$107.95	\$115.74	\$116.48	\$110.32	\$143.38

The Company stock price declined into 2017 as the market price and outlook for graphite weakened. The Company stock price subsequently rebounded into 2018 as the outlook for graphite improved. The Company stock price declined into 2020 due to perceived delays in obtaining construction capital for the Molo Graphite Mine and general market uncertainty due to the outbreak of COVID-19. The stock price significantly improved in 2021 following the announcement of an investment agreement with Vision Blue that is expected to be sufficient to complete construction of Phase 1 of the Molo Graphite Mine.

STATEMENT OF EXECUTIVE COMPENSATION

Under National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) and in accordance with Form 51-102F6 – *Statement of Executive Compensation*, requires the disclosure of certain financial and other information relating to the compensation of the Chief Executive Officer (“**CEO**”), Chief Financial Officer (“**CFO**”) and the three most highly compensated executive officer, other than the CEO and CFO, who was serving as an executive officer at the end of financial year ended June 30, 2020 and whose total compensation exceeded CAD\$150,000, for that financial year (collectively, “**NEO**” or the “**Named Executive Officers**”) and of the directors of the Company.

As of the year-ended June 30, 2021 the Company had four individuals that qualified as NEOs: Craig Scherba, President and CEO, Marc Johnson, CFO, Robin Borley, COO, and Brent Nykoliation, EVP.

Executive Compensation Discussion and Analysis

The Governance Committee, which is responsible for designing the executive compensation program, reviews on an annual basis the cash compensation, performance and overall compensation package for each of the President and Chief Executive Officer, Chief Financial Officer, and the Senior Vice Presidents. The Governance Committee then recommends to the Board changes to the base salary and the awarding of new annual incentive bonuses and long-term incentives. The Company’s Board then approves any changes to the base salary and the awarding of annual incentive bonuses and long-term incentives.

The objectives of the executive compensation program is to balance the need to offer competitive compensation compared to peer companies in the mining industry and with comparably sized companies at a similar stage of development in order to attract and retain high-calibre executives against the need to provide compensation programs that are fair and reasonable from the perspective of shareholders. The Company compensation program has been designed to achieve the following key objectives:

1. Recruit and Retain High-Calibre Executive Management

The Company structures its executive compensation so that it can continue to attract, retain and motivate key executives in Canada and Africa in a highly competitive mining industry.

2. Provide Fair and Competitive Compensation

The executive compensation program is designed to provide fair and competitive compensation that aligns the interests of executive management with the interests of the shareholders through the following elements: (i) a competitive cash compensation consisting of base salary, milestone-based performance bonuses and certain perquisites and (ii) providing an opportunity to participate in the Company’s long-term growth of the Company through the long-term incentive plan, which includes the awarding of stock option and restricted share units.

The Company has established executive compensation principles and formalized a compensation policy. The basic elements of the compensation program are base salary, annual incentive bonuses and long-term incentives, consisting of the awarding of stock options and restricted share units.

Base Salary

On an individual basis, base salaries are reviewed annually for each executive officer, including the CEO, and where it is deemed necessary, changes are made. In order to ensure that base salaries are competitive relative to other similar positions within the mining industry in Canada and South Africa, industry surveys of such salaries are examined. Other considerations include years of experience, the potential contribution which the individual can make to the success of the Company, the level of responsibility and authority inherent in the job, and the importance of maintaining internal equity within the organization.

Annual Incentives

The Governance Committee may recommend annual bonuses be paid to executive officers of the Company when their performance warrants additional consideration. There is currently no annual bonus plan in place, but the executives are currently eligible for certain performance bonuses that are linked to achieving specific short-term milestones:

- The CEO, CFO, COO and EVP Corporate Development will earn cash bonuses and restricted shares units, linked to the commencement of mining and commissioning of the processing plant.

Long-Term Incentives

Stock options, which are exercisable into common shares at a specific exercise price, and restricted share units, which are convertible into common shares provided certain milestones are achieved, are used to encourage executive officers to own and hold the Company's common shares. Stock options and restricted share units are methods of linking the performance of the Company and the long-term appreciation of the Company's share price. When determining the number of stock options and restricted share units that should be awarded to each executive officer, the following items are taken into consideration: the relative position of the individual officer, the future contributions expected to be made by that officer and the number of stock options and restricted share units that were previously granted and are currently outstanding.

The executives are currently eligible for certain performance bonuses that are linked to achieving specific long-term milestones:

- The CEO, CFO, COO and EVP Corporate Development will earn restricted share units provided they are still employees or consultants of the Company on December 31, 2022.
- The EVP Corporate Development will earn cash bonuses, linked to the achievement of specific offtake agreements.

Other Compensation – Perquisites

Perquisites such as health benefits and other usual perquisites may be provided for executives.

Associated Risks

The Governance Committee has discussed the implications of the risks associated with the Company's compensation policies and practices. The Governance Committee works with management of the Company to determine the risk oversight principles.

The Company has adopted a policy that prevents executive officers and directors of the Company to purchase financial instruments related to the Company's common shares, which could include prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly.

Summary Compensation Table

The following table is a summary of the compensation paid, directly or indirectly, to the Named Executive Officers of the Company for the three most recently completed financial years ended June 30, 2021. All amounts in the table are reported in USD.

Name and Principal Position	Fiscal Year	Salary and Consulting Fees	Option-Based Awards	Share-Based Awards (RSUs)	Non-Equity Incentive Plan Compensation	Pension Value (USD\$)	All Other Compensation	Total Compensation (USD\$)
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		(USDS)	(USDS) ⁽¹⁾	(USDS) ⁽²⁾	(USDS) ⁽³⁾		(USDS) ⁽⁴⁾	
Craig Scherba, CEO, President and Director ^(A)	2021	187,111	427,293	461,130	20,157	Nil	Nil	1,095,691
	2020	179,603	Nil	Nil	Nil	Nil	2,498	182,101
	2019	179,989	87,992	Nil	Nil	Nil	3,804	271,785
Marc Johnson, CFO ^(B)	2021	140,673	320,470	219,989	4,068	Nil	1,146	686,346
	2020	134,882	Nil	Nil	Nil	Nil	3,747	138,629
	2019	136,989	76,993	Nil	Nil	Nil	3,804	217,786
Robin Borley, COO and Director (C)	2021	196,800	320,470	398,690	12,094	Nil	Nil	928,054
	2020	196,800	Nil	Nil	Nil	Nil	Nil	196,800
	2019	196,800	76,993	Nil	Nil	Nil	Nil	273,793
Brent Nykoliation, EVP Corporate Development ^(D)	2021	140,730	320,470	219,989	32,252	Nil	4,030	717,471
	2020	134,882	Nil	Nil	Nil	Nil	3,897	138,779
	2019	136,989	76,993	Nil	Nil	Nil	3,804	217,786

- (A) Mr. Scherba became the Chief Executive Officer on July 30, 2015. The Company has an employment agreement with Mr. Scherba, who receives a salary of CAD\$20,000 per month. He is eligible to receive specific cash and restricted share unit bonuses linked to achieving company milestones. His contract has an 18-month termination notice, which increases to 36 months if within 12 months of a change of control the Company gives notice of its intention to terminate or a triggering event occurs and he elects to terminate.
- (B) Mr. Johnson became the Chief Financial Officer on October 23, 2015. The Company has a management company agreement with Mr. Johnson, who receives consulting fees of CAD\$15,000 per month. He is eligible to receive specific cash and restricted share unit bonuses linked to achieving company milestones. His contract has an 18-month termination notice, which increases to 36 months if within 12 months of a change of control the Company gives notice of its intention to terminate or a triggering event occurs and he elects to terminate.

- (C) The Company has a management company agreement with Mr. Borley, who receives consulting fees of USD\$16,400 per month. He is eligible to receive specific cash and restricted share unit bonuses linked to achieving company milestones. His contract has an 18-month termination notice, which increases to 36 months if within 12 months of a change of control the Company gives notice of its intention to terminate or a triggering event occurs and he elects to terminate.
- (D) The Company has an employment agreement with Mr. Nykoliation, who receives a salary of CAD\$15,000 per month. He is eligible to receive specific cash and restricted share unit bonuses linked to achieving company milestones. His contract has an 18-month termination notice, which increases to 36 months if within 12 months of a change of control the Company gives notice of its intention to terminate or a triggering event occurs and he elects to terminate.
- (1) Represents the fair value of the stock options as calculated using the Black-Scholes option pricing model on the date of the award. All of the options vested immediately. The stock options only have value to the holder if exercised prior to their respective expiration dates while the options are “in-the-money”. If the stock options expire unexercised, the value could be \$nil.
- (2) Represents the fair value of restricted share units (RSUs) that are expected to vest by the measurement date based on the intrinsic value of the RSUs on the date of the award. Each RSU entitles the holder to receive common share of the Company prior to, or on, its expiration date subject to achieving the performance criterion (“milestone”) prior to, or on, its measurement date. For accounting purposes, the fair value is expensed over the vesting period and is subject to remeasurement at the end of each reporting period based on the probability of achieving the milestone and adjustments for potential forfeitures. The restricted share units only have value to the holder if the milestones are achieved prior to their respective measurement dates. If the milestones are not achieved, the value could be \$nil.
- (3) Represents cash bonuses earned during the reporting period.
- (4) Other compensation includes health benefits and other perquisites received during the reporting period.

Value Vested or Earned During the Year

The value vested for option and share based awards pursuant to the Existing Incentive Plans and the value earned for non-equity incentive plans during the year ending June 30, 2021 are as follows:

Name	Option-based awards value vested during the year (USD\$)	Share-based awards value vested during the year (USD\$)	Non-equity incentive plan compensation value earned during the year (USD\$)
Craig Scherba	427,293 ⁽¹⁾	101,535 ⁽³⁾	20,157
Marc Johnson	320,470 ⁽²⁾	76,151 ⁽⁴⁾	4,068
Robin Borley	320,470 ⁽²⁾	111,014 ⁽⁵⁾	12,094
Brent Nykoliation	320,470 ⁽²⁾	76,151 ⁽⁴⁾	32,252

- (1) Represents the fair value of the 200,000 stock options as calculated using the Black-Scholes option pricing model on March 19, 2021 that are exercisable at CAD\$3.60 per share expiring on March 19, 2024. The options vested immediately.
- (2) Represents the fair value of the 150,000 stock options as calculated using the Black-Scholes option pricing model on March 19, 2021 that are exercisable at CAD\$3.60 per share expiring on March 19, 2024. The options vested immediately.
- (3) Represents the fair value of 144,000 restricted share units (RSUs) award that vested on February 16, 2021 based on the intrinsic value of the RSUs on the date of the award, December 29, 2020.
- (4) Represents the fair value of 108,000 restricted share units (RSUs) award that vested on February 16, 2021 based on the intrinsic value of the RSUs on the date of the award, December 29, 2020.
- (5) Represents the fair value of 157,443 restricted share units (RSUs) award that vested on February 16, 2021 based on the intrinsic value of the RSUs on the date of the award, December 29, 2020.

Options Exercised During the Year

The following table sets out information on the stock options that were exercised pursuant to the Existing Incentive Plans during the year:

Name	Number of Options Exercised (#)	Option Exercise Price (\$)	Share Price on Exercise Date (\$)	Notional Proceeds (USD\$)
Craig Scherba	Nil	N/A	N/A	N/A
Marc Johnson	37,500	USD\$0.56	CAD\$0.85	3,544 ⁽¹⁾
Robin Borley	Nil	N/A	N/A	N/A
Brent Nykoliation	34,675	USD\$0.56	CAD\$0.85	3,277 ⁽¹⁾

(1) Based on an \$0.77 CAD/USD exchange rate on the exercise date.

Option-Based Awards Outstanding

As at June 30, 2021, a total of 2,130,000 stock options granted to Named Executive Officers were outstanding pursuant to the Existing Option Plans, collectively, as follows:

Name	Number of Securities	Option Exercise Price (\$)	Option Expiration Date	Value of unexercised in-the-money stock Options
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	Underlying Unexercised Options Exercisable (#)			(USD\$)⁽¹⁾
Craig Scherba	160,000	CAD\$1.00	March 26, 2024	209,920
	200,000	CAD\$3.60	March 19, 2024	Nil
	240,000	USD\$0.66	June 9, 2022	348,000
Marc Johnson	140,000	CAD\$1.00	March 26, 2024	183,680
	150,000	CAD\$3.60	March 19, 2024	Nil
	220,000	USD\$0.66	June 9, 2022	319,000
Robin Borley	140,000	CAD\$1.00	March 26, 2024	183,680
	150,000	CAD\$3.60	March 19, 2024	Nil
	220,000	USD\$0.66	June 9, 2022	319,000
Brent Nykoliation	140,000	CAD\$1.00	March 26, 2024	183,680
	150,000	CAD\$3.60	March 19, 2024	Nil
	220,000	USD\$0.66	June 9, 2022	319,000

(2) Based on a TSX closing price of CAD\$2.64 (USD\$2.11 using a \$0.80 CAD/USD exchange rate) on June 30, 2021 and assuming that all outstanding stock options are exercised.

Share-Based Awards Outstanding

As at June 30, 2021, a total of 325,000 restricted share units awarded to Named Executive Officers were outstanding pursuant to the Existing Option Plans, collectively, as follows:

Name	Number of Shares that have not vested (#)	Value of share-based awards that have not vested (USD\$)	Value of share-based awards that have vested not paid out (USD\$)⁽¹⁾
Craig Scherba	125,000	101,535 ⁽¹⁾	Nil
Marc Johnson	50,000	105,500 ⁽¹⁾	Nil
Robin Borley	100,000	211,000 ⁽¹⁾	Nil
Brent Nykoliation	50,000	105,500 ⁽¹⁾	Nil

(1) Based on a TSX closing price of CAD\$2.64 (USD\$2.11 using a \$0.80 CAD/USD exchange rate) on June 30, 2021 and assuming that all outstanding stock options are exercised.

Termination And Change Of Control Benefits

The following are the material termination and change of control benefits payable in respect of services provided to the Company or any of its subsidiaries that were performed by a director, NEO or was performed by any other party but are services typically provided by a director or NEO.

- The Company has an employment agreement with Mr. Scherba, who receives a salary of CAD\$20,000 per month. He is eligible to receive specific bonuses linked to achieving company milestones. His contract has an 18-month termination notice, which increases to 36 months if within 12 months of a change of control the Company gives notice of its intention to terminate or a triggering event occurs and he elects to terminate.
- The Company has a management company agreement with Mr. Johnson, who receives consulting fees of CAD\$15,000 per month. He is eligible to receive specific bonuses linked to achieving company milestones. His contract has an 18-month

termination notice, which increases to 36 months if within 12 months of a change of control the Company gives notice of its intention to terminate or a triggering event occurs and he elects to terminate.

- The Company has a management company agreement with Mr. Borley, who receives consulting fees of USD\$16,400 per month. He is eligible to receive specific bonuses linked to achieving company milestones. His contract has an 18-month termination notice, which increases to 36 months if within 12 months of a change of control the Company gives notice of its intention to terminate or a triggering event occurs and he elects to terminate.
- The Company has an employment agreement with Mr. Nykoliation, who receives a salary of CAD\$15,000 per month. He is eligible to receive specific bonuses linked to achieving company milestones. His contract has an 18-month termination notice, which increases to 36 months if within 12 months of a change of control the Company gives notice of its intention to terminate or a triggering event occurs and he elects to terminate.

Estimated Incremental Payment on Change of Control or Termination

The following table provides details regarding the estimated incremental payments from the Corporation to each of the NEOs upon termination in connection with a change of control in accordance with the above provisions, or upon termination without cause, assuming a triggering event occurs on June 30, 2021.

Name and Principal Position	Severance Period Without / With Change of Control (# of months)	Base Salary per Month (USD\$) ⁽¹⁾	Termination Pay Without Change of Control (USD\$)	Termination Pay with Change of Control (USD\$)
Craig Scherba, CEO, President and Director	18 / 36	16,000	288,000	576,000
Marc Johnson, CFO	18 / 36	12,000	216,000	432,000
Robin Borley, COO and Director	18 / 36	16,400	295,200	590,400
Brent Nykoliation, EVP Corporate Development	18 / 36	12,000	216,000	432,000

(1) Conversion from CAD to USD using an exchange rate of \$0.80 USD per CAD

Director Compensation

The Governance Committee, which is responsible for designing the director compensation program, reviews on an annual basis the cash compensation, performance and overall compensation package for each of the directors. The Governance Committee then recommends to the Board changes to the base fees and the awarding of new annual incentive bonuses and long-term incentives. The Company's Board then approves any changes to the base fees and the awarding of annual incentive bonuses and long-term incentives.

From July 1, 2020 to June 30, 2021, each director that is not a Named Executive Officer was entitled to (i) a CAD\$1,250 monthly fee (the Non- Executive Chairman was entitled to an additional CAD\$500 monthly fee); (ii) \$nil per day for each meeting attended in person; (iii) \$nil for each meeting attended by telephone upon furnishing an invoice for same; (iv) reimbursement for travel and other meeting-related expenses, (v) perquisites such as health benefits and other usual perquisites may be provided for executives,

and (vi) may, from time to time, be awarded stock options and restricted share units under the provisions of the LTIP Plan.

There are no other arrangements under which the directors of the Company were compensated by the Company during the most recently completed financial year end for their services in their capacity as directors.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary and Consulting Fees (USDS) ⁽¹⁾	Option-Based Awards (USDS) ⁽²⁾	Share-Based Awards (RSUs) (USDS) ⁽³⁾	Non-Equity Incentive Plan Compensation (USDS) ⁽⁴⁾	Pension Value (USDS)	All Other Compensation (USDS) ⁽⁵⁾	Total Compensation (USDS)
Sir Mick Davis, Non-Executive Chair of the Board ^(A)	2021	4,939	320,470	Nil	Nil	Nil	Nil	325,409
	2020	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Brett Whalen, Director ^(B)	2021	12,833	320,470	143,838	Nil	Nil	2,159	477,141
	2020	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Chris Kruba, Director ^(C)	2021	11,689	320,470	143,838	Nil	Nil	Nil	475,997
	2020	6,563	Nil	Nil	Nil	Nil	Nil	6,563
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Ian Pearce, Director ^(D)	2021	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
David McNeely ^(E)	2021	11,689	320,470	143,838	Nil	Nil	Nil	475,997
	2020	6,563	Nil	Nil	Nil	Nil	Nil	6,563
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dean Comand ^(F)	2021	6,885	Nil	Nil	Nil	Nil	Nil	6,885
	2020	29,752	Nil	Nil	Nil	Nil	Nil	29,752
	2019	28,500	79,743	Nil	Nil	Nil	Nil	108,243
John Sanderson ^(G)	2021	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2020	13,125	Nil	Nil	Nil	Nil	Nil	13,125
	2019	31,500	82,493	Nil	Nil	Nil	Nil	113,993
Dalton Larson ^(H)	2021	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2020	11,877	Nil	Nil	Nil	Nil	Nil	11,877
	2019	28,500	79,743	Nil	Nil	Nil	Nil	108,243
Quentin Yarie ^(I)	2021	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2020	7,126	Nil	Nil	Nil	Nil	Nil	7,126
	2019	28,500	79,743	Nil	Nil	Nil	Nil	108,243

(1) As of January 1, 2020, each director receives fees of CAD\$1,250 per month (CAD\$15,000 per year) and the Chair of the Board receives CAD\$1,750 per month (\$21,000 per year). Up to December 31, 2021, each director received CAD\$2,500 per month (CAD\$30,000 per year) plus a supplement of CAD\$667 per month (CAD\$8,000 per year) if they were also a committee chair and the Chair of the Board received CAD\$3,500 per month (CAD\$42,000 per year).

- (2) Represents the fair value of the stock options as calculated using the Black-Scholes option pricing model on the date of the award. All of the options vested immediately. The stock options only have value to the holder if exercised prior to their respective expiration dates while the options are “in-the-money”. If the stock options expire unexercised, the value could be \$nil.
- (3) Represents the fair value of restricted share units (RSUs) that are expected to vest by the measurement date based on the intrinsic value of the RSUs on the date of the award. Each RSU entitles the holder to receive common share of the Company prior to, or on, its expiration date subject to achieving the performance criterion (“milestone”) prior to, or on, its measurement date. For accounting purposes, the fair value is expensed over the vesting period and is subject to

remeasurement at the end of each reporting period based on the probability of achieving the milestone and adjustments for potential forfeitures. The restricted share units only have value to the holder if the milestones are achieved prior to their respective measurement dates. If the milestones are not achieved, the value could be \$nil.

- (4) Represents cash bonuses earned during the reporting period.
- (5) Other compensation includes health benefits and other perquisites received during the reporting period.
- (A) Sir Mick Davis became a director and Chair of the Board of Directors on March 15, 2021. The stock options were awarded to Vision Blue Resources Limited, a corporation controlled by Sir Mick Davis.
- (B) Brett Whalen became a director on July 17, 2020. He served as Chair of the Board from August 24, 2020 to March 15, 2021. He is Chair of the Governance Committee and a member of the Audit Committee.
- (C) Chris Kruba became a director on December 2, 2019. He is Chair of the Audit Committee and a member of the Governance Committee.
- (D) Ian Pearce became a director on July 14, 2021. He is Chair of the Sustainability Committee and a member of the Audit Committee and the Governance Committee.
- (E) David McNeely resigned as a director on July 14, 2021.
- (F) Dean Comand resigned as a director on December 29, 2020. He served as Chair of the Board from January 23, 2020 to August 24, 2020.
- (G) John Sanderson resigned as director on January 23, 2020. He served as Chair of the Board until January 23, 2020.
- (H) Dalton Larson resigned as director on January 23, 2020.
- (I) Quentin Yarie resigned as a director on September 27, 2019.

Value Vested or Earned During the Year

The value vested for option and share based awards pursuant to the Existing Incentive Plans and the value earned for non-equity incentive plans during the year ending June 30, 2021 are as follows:

Name	Option-based awards value vested during the year (USD\$)	Share-based awards value vested during the year (USD\$)	Non-equity incentive plan compensation value earned during the year (USD\$)
Sir Mick Davis	320,470 ⁽¹⁾	Nil	Nil
Brett Whalen	320,470 ⁽¹⁾	143,838 ⁽²⁾	Nil
Chris Kruba	320,470 ⁽¹⁾	143,838 ⁽²⁾	Nil
Ian Pearce	Nil	Nil	Nil
David McNeely	320,470 ⁽¹⁾	143,838 ⁽²⁾	Nil
Dean Comand	Nil	Nil	Nil

- (1) Represents the fair value of the 150,000 stock options as calculated using the Black-Scholes option pricing model on March 19, 2021 that are exercisable at CAD\$3.60 per share expiring on March 19, 2024. The options vested immediately.
- (2) Represents the fair value of 50,000 restricted share units (RSUs) award that vested on May 17, 2021 based on the intrinsic value of the RSUs on the date of the award, March 19, 2021.

Option-Based Awards – Outstanding

The following information relating to outstanding options is disclosed voluntarily and is not required to be disclosed as per NI 51-102. As at June 30, 2021, a total of 600,000 stock options granted to directors were outstanding pursuant to the Existing Option Plans, collectively, as follows:

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Value of unexercised in-the-money stock Options (USD\$) ⁽¹⁾
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Sir Mick Davis ⁽²⁾	150,000	CAD\$3.60	March 19, 2024	Nil
Brett Whalen	150,000	CAD\$3.60	March 19, 2024	Nil
Chris Kruba	150,000	CAD\$3.60	March 19, 2024	Nil
Ian Pearce	Nil	Nil	Nil	Nil
David McNeely ⁽³⁾	150,000	CAD\$3.60	March 19, 2024	Nil

- (1) Based on a TSX closing price of CAD\$2.64 (USD\$2.11 using a \$0.80 CAD/USD exchange rate) on June 30, 2021 and assuming that all outstanding stock options are exercised.
- (2) The stock options were awarded to Vision Blue Resources Limited, a corporation controlled by Sir Mick Davis.
- (3) David McNeely resigned as a Director on July 14, 2021.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

National Policy 58-201 – *Corporate Governance Guidelines* (“**NP 58-201**”) and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) set out a series of guidelines for effective corporate governance. The guidelines address matters such as the constitution and independence of corporate boards, the function to be performed by boards and their committees and the effectiveness and education of board members. NI 58-101 requires the disclosure by each reporting issuer of its approach to corporate governance with reference to the guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of conformity. The following disclosure is provided in accordance with the corporate governance disclosure prescribed by Form 58-101F2 of NI 58-101.

Corporate Governance

The Board and management consider good corporate governance to be central to the effective and efficient operation of the Company. The Board is committed to sound corporate governance practices, which are both in the interest of its Shareholders and contribute to effective and efficient decision making.

The role of the Board is to oversee the conduct of the Company’s business, to set corporate policy and to supervise management, which is responsible to the Board for the day-to-day conduct of business. Material transactions are addressed at the Board level.

The Board discharges five specific responsibilities as part of its stewardship responsibility. These are:

- (1) Strategic Planning: given the Company’s size, the strategic plan is carried out directly by management, with input from and assistance of the Board;
- (2) Oversight of Management: no elaborate system of selection, training and assessment of Management has been established, given the operations and size of the Company; however, the Board closely monitors Management’s performance, which is measured against the overall strategic plan, through reports by and regular meetings with management;
- (3) Risk Management: the Board directly oversees most aspects of the business of the Company and thus, does not require elaborate systems or numerous committees to effectively monitor and manage the principal risks of all aspects of the business of the Company;
- (4) Communication Policy: the Company has a Disclosure Committee and formal disclosure policy allowing it to communicate effectively and accurately with its Shareholders, other stakeholders, and the public generally through statutory filings and news releases; the Shareholders are also given an opportunity to make comments or suggestions at Shareholder meetings; these comments and suggestions are then factored into the Board’s decisions; and
- (5) Ensuring the integrity of the Company’s Internal Control and Management Information System: given the involvement of the Board in operations, the reports from and the meetings with management, the Board can effectively track and monitor the implementation of approved strategies.

The President and Chief Executive Officer of the Company is a member of the Board, as is usual given the Company's size. The Board feels that this is not an impediment to the proper discharge of its responsibilities. Interaction between members of management and the Board, inside and outside Board meetings, ensures that the Board is informed and the Board members' experience utilized by management.

The Board remains cognizant to corporate governance issues and seeks to set up structures to ensure the effective discharge of its responsibilities without creating additional costs. The Board is committed to ensuring the Company's long-term viability, and the well-being of its employees and of the communities in which it operates. The Board has also adopted a policy of permitting individual directors, under appropriate circumstances, to engage legal, financial or other advisors at the Company's expense. Half of the Board, if all of the nominee directors are elected, will consist of independent directors. See "*Election of Directors*".

The Board is of the view that the Company's approach to corporate governance is appropriate for its current size and resources, but will monitor its approach as it progresses in its business plans. The Company will periodically monitor and refine such practices as the size and scope of its operations increase. The Board regularly reviews, evaluates and modifies its governance program to ensure it is of the highest standard. The Board is satisfied that the Company's governance plan is consistent with legal and stock exchange requirements.

The Company does not have a policy requiring members of the Board to attend annual meetings of Shareholders, although the Company typically encourages the Board to attend.

Board of Directors

The Board of Directors consists of Sir Mick Davis (Chair), Craig Scherba, Robin Borley, Brett Whalen, Chris Kruba and Ian Pearce.

At the most recent annual meeting of Shareholders held on December 29, 2020, the following individuals were elected as directors: Craig Scherba, Robin Borley, Brett Whalen, Chris Kruba and David McNeely. Sir Mick Davis was appointed as a director and as Chair of the Board on March 15, 2021 and Ian Pearce was appointed as a director on July 14, 2021. David McNeely resigned as a director on July 14, 2021.

Other Directorships

Other than as follows, none of the directors of the Company are presently directors of other issuers that are reporting issuers, or the equivalent, in a Canadian or foreign jurisdiction:

- Ian Pearce is the Chair of the Board of Directors of Newgold Inc., and is a Director of Northland Power Inc., and Metso Outotec.

Independent Directors

As of the date of this Circular, Brett Whalen, Chris Kruba, and Ian Pearce are considered "independent directors".

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Company. A "material relationship" is defined as a relationship, which could, in the view of the Board, be reasonably expected to interfere with such member's independent judgment. Independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. Independent directors are encouraged to hold unscheduled and informal meetings to discuss issues ahead of regularly scheduled meetings of the Board.

Board Mandate

The Board of Directors has developed a written Board of Directors Mandate description. The full text of the Board Mandate is attached to this Circular as "Appendix A" and is also available on the Company's website at www.nextsourcematerials.com under the "Corporate Policies & Governance" caption.

Position Descriptions

The Board of Directors has developed written position descriptions for the Chair of the Board, the Chair of Board committees. The Board of Directors has established that these Chairs are required to set the agenda for respective meetings, assigning meeting secretaries, calling the meetings to proper order and ensuring the meeting agendas are respected and that matters are duly discussed. The Board has developed a written position description for the Chief Executive Officer, which is reviewed annually. A copy of the Company's position descriptions are available on the Company's website at www.nextsourcematerials.com under the "Corporate Policies & Governance" caption.

Board of Director Committees

The Company's Board has the following committees:

Audit Committee

The Audit Committee is described in greater detail in the section titled *Audit Committee Information And Oversight*.

The Audit Committee consists of Chris Kruba (Chair), Brett Whalen and Ian Pearce. All members are independent as per the standards of National Instrument 58-101.

Governance Committee

The Governance Committee consists of Brett Whalen (Chair), Chris Kruba and Ian Pearce. All members are independent as per the standards of National Instrument 58-101. The Governance Committee was formed on July 19, 2021 by amalgamating the Nomination and Compensation Committees.

The Governance Committee is to determine the appropriate compensation for the Company's directors and officers. The Compensation Committee has a charter, a copy of which is available on the Company's website at www.nextsourcematerials.com under the "Corporate Policies & Governance" caption. The Compensation Committee determines compensation based on industry standards, the employee or consultant's level of experience, and the Company's financial situation.

Sustainability Committee

The Sustainability Committee consists of Ian Pearce (Chair), Craig Scherba and Robin Borley. Only Ian Pearce is independent as per the standards of National Instrument 58-101. The Sustainability Committee was formed on July 19, 2021 and as such, did not meet during fiscal 2021.

Director Attendance

Director attendance during fiscal 2021 (July 1, 2020 to June 30, 2021) is set out in the following table with the meetings attended out of the total meetings held while they were directors. No director attended fewer than 75% of the total number of board and committee meetings.

Attendance	Board Meetings	Audit Committee	Nomination Committee	Compensation Committee
Sir Mick Davis	1 / 1 (Chair of the Board)	N/A	N/A	N/A
Brett Whalen	10 / 10	4 / 4	2 / 2 (Committee Chair)	2 / 2 (Committee Chair)
Craig Scherba	10 / 10	N/A	2 / 2	N/A
Robin Borley	8 / 10	N/A	N/A	N/A
Chris Kruba	10 / 10	4 / 4 (Committee Chair)	2 / 2	2 / 2
Ian Pearce	N/A	N/A	N/A	N/A

Director Assessments

The Board uses peer reviews to assess, on an annual basis, the effectiveness of the Board as a whole and of each of the individual Directors in order to determine whether the Board is functioning effectively.

Director Term Limits

The Company has not instituted director term limits or other mechanisms of board renewal.

The Company believes that in taking into account the nature and size of the Board and the Company, it is more important to have relevant experience than to impose set time limits on a director's tenure, which may create vacancies at a time when a suitable candidate cannot be identified and as such would not be in the best interests of the Company. In lieu of imposing term limits, the Company regularly monitors director performance through annual assessments and regularly encourages sharing and new perspectives through regularly scheduled Board meetings, meetings with only independent directors in attendance, as well as through continuing education initiatives. On a regular basis, the Company analyzes the skills and experience necessary for the Board and evaluates the need for director changes to ensure that the Company has highly knowledgeable and motivated Board members, while ensuring that new perspectives are available to the Board.

Name	Age	Director Since	Years of Tenure
Sir Mick Davis	63	March 2021	0.6 years
Craig Scherba	49	January 2010	11.8 years
Robin Borley	53	December 2013	7.9 years
Brett Whalen	46	July 2020	1.3 years
Chris Kruba	46	December 2019	1.8 years
Ian Pearce	64	July 2021	0.3 years

Diversity of women and other designated groups on the Board of Directors and in Senior Management

For all annual meetings held on or after January 1, 2020, distributing corporations created under the *Canadian Business Corporations Act* have to report on the representation of four designated groups on their board of directors and senior management teams, which includes the president, CEO, CFO, VPs in charge of a principal business unit and anyone who performs policy-making functions within the corporation. The *Designated Groups* under the *Employment Equity Act* of Canada are women, indigenous peoples, persons with disabilities or members of visible minorities.

The Company currently has six Board members and four executive officers, none of whom are women (0%), indigenous peoples (0%), persons with disabilities (0%) or members of visible minorities (0%).

Although the Company has not adopted a written policy relating to the identification and nomination of directors and officers that are women, indigenous peoples, persons with disabilities or members of visible minorities, the Governance Committee has been tasked with identifying and nominating a woman as a director.

The Company has not considered the level of representation of women in its executive officer positions or on its Board in previous nominations or appointments (including a targeted number or percentage).

The Governance Committee seeks directors who represent a mix of backgrounds and business experiences that will enhance the quality of the Board's deliberations and decisions. The Governance Committee considers, among other factors, diversity with respect to viewpoint, skills, experience, character and behavior qualities in its evaluation of candidates for Board membership.

Director Orientation and Continuing Education

The Company does not provide a formal orientation and education program for its directors. New directors are given an opportunity to familiarize themselves with the Company by visiting the Company's corporate offices, meeting with other directors, reviewing the

rules and regulations of the stock exchanges where the Shares are listed, and reviewing the Company's by-laws and related documents. Directors are invited to speak with the Company's counsel, auditors and other service providers to become familiar with their legal responsibilities.

Ethical Business Conduct

The Company has instituted certain policies and procedures, including a Code of Ethics and Business Conduct (the "**Code of Ethics**") that applies to its directors, officers, and employees, including its principal executive officers, principal financial officer, principal accounting officer, controller or persons performing similar functions. A copy of the Company's Code of Ethics is available on the Company's website at www.nextsourcematerials.com under the "Corporate Policies & Governance" caption. If the Company makes substantive amendments to the Code of Ethics, the Company will disclose the nature of such amendments or waiver on the Company's website or in a report within four days of such amendment or waiver.

Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No directors, nominee directors, or executive officers of the Company: (i) is, as at the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that (a) was subject to a cease trade order; an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "Order") that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (ii) is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (iii) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

As at the date hereof, no directors, nominee directors, or executive officers of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Stockholder in deciding whether to vote for a proposed director.

Conflicts of Interest

To the best of our knowledge, and other than as disclosed below, there are no known existing or potential conflicts of interest between us and any of our directors, nominee directors, or officers, except that certain of the directors, nominee directors and officers serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of NextSource and their duties as a director or officer of such other companies.

The Chair of the Board of Directors, Sir Mick Davis, is also the CEO of Vision Blue Resources Limited ("Vision Blue"), which owns 35.7% of the outstanding and issued common shares of the Company and 46.0% of the common shares on a fully diluted basis. Vision Blue also owns a royalty on the Molo Graphite Mine and on the Green Giant Vanadium Project. Vision Blue was also granted certain other rights in relation to the Investment Agreement announced on February 8, 2021, as described in *Interest of Management and Others in Material Transactions* in our most recent AIF.

Board's Relations with Management

The interaction between Management and Board members, both inside and outside of meetings of the Board, ensures that the Board is properly informed and that the Board members' experience is brought to bear when needed by management.

The Board remains sensitive to corporate governance issues and seeks to set up the necessary structures to ensure the effective discharge of its responsibilities without creating additional overhead costs or reducing the return on shareholders' equity. The Board is committed to ensuring the long-term viability of the Company, as well as the well-being of its consultants and of the communities in which it operates. The Board has also adopted a policy of permitting individual Directors under appropriate circumstances to engage legal, financial or other expert advisors at the Company's expense.

AUDIT COMMITTEE INFORMATION AND OVERSIGHT

National Instrument 52-110 – *Audit Committees* (“NI 52-110”) requires that certain information regarding the Audit Committee be included in the management Circular sent to shareholders in connection with the issuer’s annual meeting.

Audit Committee Charter

The Board of Directors has developed an Audit Committee Charter. The full text of the Audit Committee Charter is attached to this Circular as “Appendix B” and is also available on the Company’s website at www.nextsourcematerials.com under the “Corporate Policies & Governance” caption.

Oversight

The Audit Committee is responsible for the oversight and for recommending the appointment, compensation, retention, termination of an independent external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company. The Company has not yet adopted any specific policies or procedures regarding the engagement of non-audit services but does review such matters as they arise considering factors such as the Company’s current needs and the availability of services.

Meetings

During fiscal 2021, the audit committees met four (4) times in person or by telephone.

Composition

The members of the Audit Committee are Christopher Kruba (Chair), Brett Whalen, and Ian Pearce. Each member is independent and is financially literate as per the standards of National Instrument 52-110.

Relevant Education and Experience

Christopher Kruba is Vice-President and Counsel to Nostrum Capital Corporation and a number of related corporations that are part of the Toldo Group. The Toldo Group is headquartered in Windsor, Ontario and is composed of several privately held corporations in Canada and the United States, some of which manufacture and operate in diversified sectors and others which are involved in active and passive investments across capital markets throughout North America, Europe and Africa. In addition to his responsibilities as counsel to the Toldo Group Mr. Kruba serves as corporate secretary to all the companies, is a member of group’s investment committee and he serves on the board of directors of many of the companies. In his roles Mr. Kruba is involved in capital market decisions, he has lead mergers and acquisitions and he has participated in the management and strategic planning for numerous companies, including venture capital corporations in which the group has invested. Prior to joining the Toldo Group in 2000 Mr. Kruba articulated with and practiced at the law firm of Gignac, Sutts LLP in Windsor, Ontario. Mr. Kruba graduated from the University of Windsor’s Faculty of Law in 1998 and has been a Member of the Law Society of Ontario since 1999. Nostrum Capital Corporation and Mr. Kruba personally have been investors in NextSource Materials Inc. since 2011.

Brett Whalen has been a director since July 2020 and was appointed as Chair of the Board of Directors from July 2020 until March 2021. Mr. Whalen has over 20 years of investment banking and M&A expertise, spending over 16 of those years at Dundee Corporation (Dundee Corp.). During his tenure at Dundee Corp., Mr. Whalen was directly involved in completing approximately \$2 billion in M&A deals and helped raise over \$10 billion dollars in capital to the resource sector. Mr. Whalen became Vice President and Portfolio Manager of Goldman and Company (a division of Dundee) and was President and CEO of the CMP Group of Companies. Mr. Whalen has held Board seats of several TSX-listed and privately held companies and holds a BA (Honours) degree in Economics and Finance from Wilfrid Laurier University.

Ian Pearce is a Corporate Director with over 40 years of professional experience in the global metallurgy and mining related industries. Mr. Pearce held executive roles at Falconbridge Limited, including Chief Operating Officer and subsequently served as Chief Executive Officer of Xstrata Nickel, a subsidiary of Xstrata plc. He has also held senior engineering and project management roles managing numerous significant development projects in the mining extractives sector. Mr. Pearce currently is a Director of New Gold Inc, where he

is Chair of the Board, Director of Metso Outotec Corporation and Director of Northland Power Inc. Mr. Pearce holds a Higher National Diploma in Engineering (Mineral Processing) from the University of Johannesburg and a Bachelor of Science degree from the University of the Witwatersrand in South Africa.

External Auditor Service Fees

MNP LLP served as auditor for the fiscal year ended June 30, 2021. The Board considers that the work done by MNP LLP is compatible with maintaining MNP LLP as auditor for the next fiscal year. All the work expended by MNP LLP on the audit was attributed to work performed by MNP LLP's full-time, permanent employees.

During the years ended June 30, 2021 and 2020, the Audit Committee pre-approved all of the fees invoiced by MNP LLP.

	Year-ended June 30, 2021	Year-ended June 30, 2020
Audit Fees ⁽¹⁾	\$46,010	\$43,870
Audit-Related Fees ⁽²⁾	\$Nil	\$Nil
Tax Fees ⁽³⁾	\$12,412	\$20,170
All Other Fees ⁽⁴⁾	\$Nil	\$Nil

(1): *Audit Fees* is the aggregate fees billed by the issuer's external auditor in each of the last two fiscal years for audit services.

(2): *Audit-Related Fees* is the aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under *Audit Fees*.

(3): *Tax Fees* is the aggregate fees billed in each of the last two fiscal years for professional services rendered by the issuer's external auditor for tax compliance, tax advice, and tax planning.

(4): *All Other Fees* is the aggregate fees billed in each of the last two fiscal years for products and services provided by the issuer's external auditor, other than the services reported under

GOVERNANCE COMMITTEE INFORMATION AND OVERSIGHT

The Company has established a Governance Committee, which is responsible for determining the appropriate compensation for the Company's directors and officers, the nomination of directors, assessment of the performance of directors, and for resolving governance issues. The Governance Committee was formed on July 19, 2021 by amalgamating the Nomination and Compensation Committees.

The Governance Committee determines compensation based on industry standards, the employee or consultant's level of experience, and the Company's financial situation. The Governance Committee reviews on an annual basis the cash compensation, performance and overall compensation package for the directors and each of the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and EVP.

The Governance Committee seeks to attract and maintain directors with business expertise, and in particular, knowledge of mineral development, geology, investment banking, corporate law and finance. Further, the Company seeks to have the right mix of these disciplines. Nominations tend to be the result of recruitment efforts by management and directors, which are then presented to the Governance Committee and then to the Board for consideration. The Governance Committee has no specified policy regarding consideration of any director candidates recommended by securityholders, as it believes the most effective recruitment efforts are those led by management and directors.

Governance Committee Charter

The Board of Directors is in the process of developing a Governance Committee Charter, which will incorporate the Compensation and Nomination Committee charters. Once adopted, the full text of the charter will be available on the Company's website at www.nextsourcematerials.com under the "Corporate Policies & Governance" caption. In the interim, the full text of of the Compensation

and Nomination Committee charters are available on the Company's website at www.nextsourcematerials.com under the "Corporate Policies & Governance" caption.

Meetings

During fiscal 2021, the Compensation and Nomination committees met four (4) times in person or by telephone.

Composition

The Governance Committee consists of Brett Whalen (Chair), Chris Kruba and Ian Pearce. All members are independent as per the standards of National Instrument 58-101.

Relevant Education and Experience

The skills and experience relevant to the members of the Compensation Committee is summarized above for each member under the heading "Biographies of the Nominated Directors of the Company".

SUSTAINABILITY COMMITTEE INFORMATION AND OVERSIGHT

The Company has established a Sustainability Committee, which is responsible for health, safety, environmental and corporate social responsibility ("CSR") issues. The Sustainability Committee was formed on July 19, 2021.

Sustainability Committee Charter

The Board of Directors is in the process of developing a Sustainability Committee Charter. Once adopted, the full text of the charter will be available on the Company's website at www.nextsourcematerials.com under the "Corporate Policies & Governance" caption.

Meetings

The Sustainability Committee was formed on July 19, 2021, and as such did not meet during fiscal 2021.

Composition

The Sustainability Committee consists of Ian Pearce (Chair), Craig Scherba, and Robin Borley. Only Ian Pearce is independent as per the standards of National Instrument 58-101.

Relevant Education and Experience

The skills and experience relevant to the members of the Sustainability Committee is summarized above for each member under the heading "Biographies of the Nominated Directors of the Company".

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has three (3) equity compensation plans approved by shareholders, being a fixed stock option plan (the "**2016 Stock Option Plan**"), a 10% rolling stock option plan that was approved by Shareholders on December 4, 2018 (the "**2018 Stock Option Plan**"), and long-term incentive plan that was approved by Shareholders on December 29, 2020 (the "LTIP Plan") (collectively, the "**Existing Option Plans**").

On December 4, 2021, the 2018 Stock Option Plan replaced the 2016 Option Plan as the Company's primary incentive plan and no further awards have been or shall be granted under the 2016 Stock Option Plan. On August 19, 2020, the LTIP Plan replaced the 2018 Stock Option Plan as the Company's primary incentive plan and no further awards have been or shall be granted under the 2018 Stock Option Plan. All stock options issued under the 2016 Stock Option Plan and the 2018 Stock Option Plan that remain outstanding continue to be governed by the terms and conditions of the respective Existing Option Plans.

The following tables provides a summary of securities issued and issuable under all security-based compensation plans of the Company, being the Existing Option Plans, as at June 30, 2021.

Name and Position	Number of securities to be issued upon exercise of outstanding Options, Warrants, Awards, and Rights ⁽⁴⁾ (#)	Weighted-average exercise price of outstanding Options, Warrants, Awards and Rights (USDS)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#)
Equity Compensation Plans Approved by Shareholders (Existing Option Plans)	3,255,000 ⁽¹⁾⁽²⁾	\$1.48	6,563,426
Equity Compensation Plans Not Approved by Shareholders	Nil	Nil	Nil

- (1) Representing approximately 3.3% of the 99,026,656 common shares that were issued and outstanding as at October 25, 2021.
- (2) This represents a total of 2,580,000 stock options and 425,000 restricted share units that are issued to existing insiders (which represents approximately 3.1% of the currently issued and outstanding common shares of the Company), and 200,000 stock options and 50,000 restricted share units that are issued to existing employees or consultants (which represents approximately Nil% of the currently issued and outstanding Shares of the Company). The remainder of the outstanding stock options and restricted share units are held by former insiders and consultants, which will be cancelled on the anniversaries of their resignations.

The following table provides the burn rate under the Existing Option Plans for the three financial years ended June 30, 2021:

Fiscal Year Ended	Burn Rate ⁽¹⁾	Number of Options and Restricted Share Units Granted	Weighted Average Number of Shares Outstanding
Year Ended June 30, 2021	2.0%	1,300,000	66,654,804
Year Ended June 30, 2020	0.0%	Nil	52,720,606
Year Ended June 30, 2019	2.4%	1,185,000	49,358,645

(1) Calculated by dividing the number of stock options and restricted share units granted under the Existing Option Plans during the applicable period by the weighted average number of common shares outstanding for the applicable period.

Summary of the Existing Option Plans

The following are summaries of the Existing Option Plans, each of which has been approved by Shareholders.

2016 Stock Option Plan

The purpose of the 2016 Stock Option Plan is to advance the interests of the Company, by providing an additional incentive to attract, retain and motivate highly qualified and competent persons who are key to the Company and upon whose efforts and judgment the success of the Company and its subsidiaries is largely dependent. Eligibility of the 2016 Stock Option Plan includes Employees, Consultants, Officers and Directors of the Company or any subsidiary.

Subject to adjustment in certain circumstances, the Company can issue up to 46,000,000 Options under the 2016 Stock Option Plan.

The Board (or a committee appointed by the Board) administers the 2016 Stock Option Plan. The Board, may designate an exercise price for Options as the prior day closing price on a stock exchange to which the Shares trade.

Subject to the policies of the TSX, the Board may determine the granting of the Options, the exercise price of the Options, and vesting schedule and any terms and conditions attaching to such Options. Options may be issued for a period of up to 10 years and are non-transferrable in the ordinary course. If and for so long as the Shares are listed on the TSX:

- (i) the aggregate number of Shares issued to insiders of the Company within any 12-month period, or issuable to insiders of the Company at any time, under the 2016 Stock Option Plan and any other security-based compensation arrangement of the Company, may not exceed 10% of the total number of issued and outstanding Shares of the Company at such time;
- (ii) the maximum aggregate number of Shares that may be reserved under the 2016 Stock Option Plan for issuance to any one individual in any 12-month period shall not exceed 5% of the issued and outstanding Shares at the time of grant, unless the Company has obtained disinterested shareholder approval for such an issuance;
- (iii) the maximum aggregate number of Shares that may be reserved under the 2016 Stock Option Plan or other share compensation arrangements of the Company for issuance to any one consultant during any 12-month period shall not exceed 2% of the issued and outstanding Shares at the time of grant;
- (iv) the maximum aggregate number of Shares that may be reserved under the 2016 Stock Option Plan or other share compensation arrangement of the Company for issuance to persons who are employed in investor relations activities during any 12-month period shall not exceed 2% of the issued and outstanding Shares at the time of grant; and
- (v) the Board shall, through the establishment of the appropriate procedures, monitor the trading in the securities of the Company by all optionees performing investor relations activities.

Unless otherwise expressly provided in any option agreement, and subject to any applicable limitations contained in the 2016 Stock Option Plan, the unexercised portion of any Option shall automatically and without notice immediately terminate and become forfeited, null and void at the time of the earliest to occur of the following:

- (i) the expiration of a period not to exceed one year (such period to be determined by the Board in its sole discretion) after the date on which the optionee's employment is terminated for any reason other than by reason of (a) cause, (b) the termination of the optionee's employment with the Company by such optionee following less than 60 days' prior written notice to the Company of such termination, (c) a mental or physical disability, or (d) death;
- (ii) immediately upon (a) the termination by the Company of the optionee's employment for cause, or (b) an improper termination;
- (iii) the later of (a) the expiration of a period not to exceed one year (such period to be determined by the Board in its sole discretion) after the date on which the optionee's employment is terminated by reason of a mental or physical disability, or (b) one year after the date on which the optionee shall die if such death shall occur during such period;
- (iv) one year after the date of termination of the optionee's employment by reason of death of the employee; or
- (v) the expiration date of the Option established on the date of grant and set forth in the option agreement. Upon termination of optionee's employment any Option (or portion thereof) not previously vested or not yet exercisable pursuant to the terms of the 2016 Stock Option Plan shall be immediately cancelled.

Under the terms of the 2016 Stock Option Plan, the Board is permitted to make certain adjustments or modifications to the 2016 Stock Option Plan and any Option that may have been issued under the 2016 Stock Option Plan. Notwithstanding the amendment provisions included in the 2016 Stock Option Plan, the following may not be amended without approval of security holders:

- (i) reduction in the exercise price or purchase price benefiting an insider of the Company;
- (ii) any amendment to remove or to exceed the insider participation limit;

- (iii) an increase to the maximum number of securities issuable, either as a fixed number or a fixed percentage of the listed issuer's outstanding capital represented by such securities; and
- (iv) amendments to an amending provision within a security based compensation arrangement.

The Board may grant stock appreciation rights in tandem with Options that have been or are granted under the 2016 Stock Option Plan. A stock appreciation right shall entitle the holder to receive in cash, with respect to each Share as to which the right is exercised, payment in an amount equal to the excess of the share's fair market value on the date the right is exercised over its fair market value on the date the right was granted. To date no stock appreciation rights have been granted.

The 2016 Stock Option Plan shall terminate in November 2026.

2018 Stock Option Plan

The principal purposes of the 2018 Stock Option Plan is to secure for the Company and its Shareholders the benefits of incentive inherent in the share ownership by issuing Options to the employees (including part-time employees), directors or officers of the Company or any of its subsidiaries or affiliates, management company employees, consultants, and service providers ("**Optionees**") who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that a stock option plan of the nature provided for in the 2018 Stock Option Plan aids in retaining and encouraging persons of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Company.

The maximum number of Shares available at all times for issuance under the 2018 Stock Option Plan or any other security based compensation arrangements (pre-existing or otherwise) shall not exceed 10% of the issued and outstanding Shares at the time of grant. Any increase in the number of issued and outstanding Shares will result in an increase in the number of Shares issuable under the 2018 Stock Option Plan. The 2018 Stock Option Plan is an "evergreen" plan and accordingly, any issuance of Shares from treasury, including issuances of Shares in respect of which Options are exercised, and any expired or cancelled Options, shall automatically replenish the number of Options issuable under the 2018 Stock Option Plan.

The exercise price per Share under an Option shall be determined by the Board, but, in any event, shall not be lower than the market price of the Shares on the date of grant of the Options, being the closing price of the Shares on the TSX (or if the Shares are not then listed on the TSX, on the principal stock exchange on which such Shares are traded, on the trading day of the Option grant)(the "**Market Price**"). In the event that the Shares are not then listed and posted for trading on a stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion. The exercise price per Share under an Option shall be determined by the Board, but, in any event, shall not be lower than the market price of the Shares on the date of grant of the Options.

The period within which Options may be exercised and the number of Options which may be exercised in any such period are determined by the Board at the time of granting the Options provided, however, that the maximum term of any Options awarded under the 2018 Stock Option Plan is ten (10) years from the date of the Option grant.

In the event that the expiry of an Option falls within, or within two (2) days of, a trading blackout period imposed by Company, the expiry date of the Option shall be automatically extended to the tenth business day following the end of the blackout period.

An Optionee will have, in all cases subject to the original Option expiry date and any determination otherwise by the Board:

- In the event of retirement or resignation, a 12-month period to exercise his or her Options, which will automatically vest;
- In the event of the death or disability of an Optionee, a 12-month period to exercise his or her Options, which will automatically vest;
- In the event of termination without cause of an Optionee, the Optionee will have 12 months to exercise his or her Options which have vested, but any unvested Options will become void; and
- In the event of termination with cause, Options shall become void, except as may be set out in the Optionee's Option commitment or as otherwise determined by the Board in its sole discretion.

In the event of a change of control, the vesting of all Options and the time for the fulfilment of any conditions or restrictions on such vesting shall be accelerated to a date or time immediately prior to the effective time of the change of control, and the Board, in its sole discretion, may authorize and implement any one or more of the following additional courses of action:

- Terminating without any payment or other consideration, any Options not exercised or surrendered by the effective time of the change of control;
- Causing the Company to offer to acquire from each Optionee his or her Options for a cash payment equal to the in-the-money amount, and any Options not so surrendered or exercised by the effective time of the change of control will be deemed to have expired; and
- An Option granted under the 2018 Stock Option Plan be exchanged for an option to acquire, for the same exercise price, that number and type of securities as would be distributed to the Optionee in respect of the Shares issued to the Optionee had he or she exercised the Option prior to the effective time of the change of control, provided that any such replacement option must provide that it survives for a period of not less than one (1) year from the effective time of the change of control, regardless of the continuing directorship, officership or employment of the Optionee.

For great certainty, and notwithstanding anything else to the contrary contained in the 2018 Stock Option Plan, the Board may, in its sole discretion, in any change of control which may or has occurred, make such arrangements as it deems appropriate for the exercise of issued and outstanding Options including, without limitation, the power to modify the terms of the 2018 Stock Option Plan and/or the Options as contemplated above. If the Board exercises such power, the Options shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Board prior to or in conjunction with completion of the change of control.

The grant of Options under the 2018 Stock Option Plan is subject to a restriction such that the number of Shares: (i) issued to insiders of Company, within any one-year period, and (ii) issuable to insiders of Company, at any time, under the 2018 Stock Option Plan, or when combined with all of Company's other security based compensation arrangements, shall not exceed 10% of Company's total issued and outstanding Shares, respectively.

The Board may delegate, to the extent permitted by applicable law and by resolution of the Board, its powers under the 2018 Stock Option Plan to the Compensation Committee, or such other committee as the Board may determine from time to time, such committee consisting of no less than two (2) members.

Options are not assignable or transferable other than by will or by the applicable laws of descent. During the lifetime of an Optionee, all Options may only be exercised by the Optionee.

The amendment provisions of the 2018 Stock Option Plan provide the Board with the power, subject to the requisite regulatory approval, to make the following amendments to the provisions of the 2018 Stock Option Plan and any Option commitment without Shareholder approval (without limitation):

- Amendments of a housekeeping nature,
- Additions or changes to any vesting provisions of an Option,
- Changes to the termination provisions of an Option or the 2018 Stock Option Plan which do not entail an extensions beyond the original expiry date,
- Addition of a cashless exercise feature, payable in cash or securities, whether or not providing for a full deduction of the number of underlying Shares from the 2018 Stock Option Plan reserves, and
- Amendments to reflect changes to applicable securities or tax laws.

However, any of the following amendments require Shareholder approval:

- Reducing the exercise price of an Option, cancelling and reissuing an Option, or cancelling an Option in order to issue an alternative entitlement,
- Amending the term of an Option to extend the term beyond its original expiry date,
- Materially increasing the benefits to the holder of Options who is an insider to the material detriment of Company and the Shareholders,

- Increasing the number of Shares or maximum percentage of Shares which may be issued pursuant to the 2018 Stock Option Plan (other than by virtue of adjustments permitted under the 2018 Stock Option Plan),
- Permitting Options to be transferred other than for normal estate settlement purposes,
- Removing or exceeding of the insider participation limits,
- Materially modifying the eligibility requirements for participation in the 2018 Stock Option Plan, or
- Modifying the amending provisions of the 2018 Stock Option Plan.

Long-Term Incentive Plan (LTIP Plan)

The principal purposes of the LTIP Plan is to secure for the Company and its Shareholders the benefits of incentive inherent in the share ownership by issuing stock options (“Options”), restricted share units (“RSUs”) and other securities to the employees (including part-time employees), directors or officers of the Company or any of its subsidiaries or affiliates, management company employees, consultants, and service providers (“**Optionees**”) who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that a stock option plan of the nature provided for in the LTIP Plan aids in retaining and encouraging persons of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Company.

The maximum number of Shares available at all times for issuance under the LTIP Plan or any other security based compensation arrangements (pre-existing or otherwise) shall not exceed 10% of the issued and outstanding Shares at the time of grant. Any increase in the number of issued and outstanding Shares will result in an increase in the number of Shares issuable under the LTIP Plan. The LTIP Plan is an “evergreen” plan and accordingly, any issuance of Shares from treasury, including issuances of Shares in respect of which Options are exercised and RSUs are converted, and any expired or cancelled Options and RSUs, shall automatically replenish the number of shares issuable under the LTIP Plan.

The exercise price per Share under an Option shall be determined by the Board, but, in any event, shall not be lower than the market price of the Shares on the date of grant of the Options, being the closing price of the Shares on the TSX (or if the Shares are not then listed on the TSX, on the principal stock exchange on which such Shares are traded, on the trading day of the Option grant)(the “**Market Price**”). In the event that the Shares are not then listed and posted for trading on a stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion. The exercise price per Share under an Option shall be determined by the Board, but, in any event, shall not be lower than the market price of the Shares on the date of grant of the Options.

The period within which Options may be exercised, the vesting date and the number of Options which may be exercised in any such period are determined by the Board at the time of granting the Options provided, however, that the maximum term of any Options awarded under the LTIP Plan is ten (10) years from the date of the Option grant.

The period within which RSUs may be exercised, the vesting criteria and measurement date, and the number of RSUs which may be exercised in any such period are determined by the Board at the time of awarding the RSUs provided, however, that the maximum term of any RSUs awarded under the LTIP Plan is ten (10) years from the date of the RSU award.

In the event that the expiry of an Option or RSU falls within, or within two (2) days of, a trading blackout period imposed by Company, the expiry date shall be automatically extended to the tenth business day following the end of the blackout period.

An Optionee will have, in all cases subject to the original expiry date and any determination otherwise by the Board:

- In the event of retirement or resignation, a 12-month period to exercise his or her Options, which will automatically vest;
- In the event of the death or disability of an Optionee, a 12-month period to exercise his or her Options, which will automatically vest;
- In the event of termination without cause of an Optionee, the Optionee will have 12 months to exercise his or her Options which have vested, but any unvested Options will become void; and
- In the event of termination with cause, Options shall become void, except as may be set out in the Optionee’s Option commitment or as otherwise determined by the Board in its sole discretion.

In the event of a change of control, the vesting of all Options and the time for the fulfilment of any conditions or restrictions on such vesting shall be accelerated to a date or time immediately prior to the effective time of the change of control, and the Board, in its sole discretion, may authorize and implement any one or more of the following additional courses of action:

- Terminating without any payment or other consideration, any Options not exercised or surrendered by the effective time of the change of control;
- Causing the Company to offer to acquire from each Optionee his or her Options for a cash payment equal to the in-the-money amount, and any Options not so surrendered or exercised by the effective time of the change of control will be deemed to have expired; and
- An Option granted under the LTIP Plan be exchanged for an option to acquire, for the same exercise price, that number and type of securities as would be distributed to the Optionee in respect of the Shares issued to the Optionee had he or she exercised the Option prior to the effective time of the change of control, provided that any such replacement option must provide that it survives for a period of not less than one (1) year from the effective time of the change of control, regardless of the continuing directorship, officership or employment of the Optionee.

For great certainty, and notwithstanding anything else to the contrary contained in the LTIP Plan, the Board may, in its sole discretion, in any change of control which may or has occurred, make such arrangements as it deems appropriate for the exercise of issued and outstanding Options including, without limitation, the power to modify the terms of the LTIP Plan and/or the Options as contemplated above. If the Board exercises such power, the Options shall be deemed to have been amended to permit the exercise thereof in whole or in part by the Optionee at any time or from time to time as determined by the Board prior to or in conjunction with completion of the change of control.

The grant of Options and RSUs under the LTIP Plan is subject to a restriction such that the number of Shares: (i) issued to insiders of Company, within any one-year period, and (ii) issuable to insiders of Company, at any time, under the LTIP Plan, or when combined with all of Company's other security based compensation arrangements, shall not exceed 10% of Company's total issued and outstanding Shares, respectively.

The Board may delegate, to the extent permitted by applicable law and by resolution of the Board, its powers under the LTIP Plan to the Governance Committee, or such other committee as the Board may determine from time to time, such committee consisting of no less than two (2) members.

Options and RSUs are not assignable or transferable other than by will or by the applicable laws of descent. During the lifetime of an Optionee, all Options and RSUs may only be exercised by the Optionee.

The amendment provisions of the LTIP Plan provide the Board with the power, subject to the requisite regulatory approval, to make the following amendments to the provisions of the LTIP Plan and any Option and RSU commitment without Shareholder approval (without limitation):

- Amendments of a housekeeping nature,
- Additions or changes to any vesting provisions of an Option or RSU,
- Changes to the termination provisions of an Option, RSU or the LTIP Plan which do not entail an extensions beyond the original expiry date,
- Addition of a cashless exercise feature, payable in cash or securities, whether or not providing for a full deduction of the number of underlying Shares from the LTIP Plan reserves, and
- Amendments to reflect changes to applicable securities or tax laws.

However, any of the following amendments require Shareholder approval:

- Reducing the exercise price of an Option, cancelling and reissuing an Option, or cancelling an Option in order to issue an alternative entitlement,
- Amending the term of an Option to extend the term beyond its original expiry date,
- Materially increasing the benefits to the holder of Options who is an insider to the material detriment of Company and the Shareholders,
- Increasing the number of Shares or maximum percentage of Shares which may be issued pursuant to the LTIP Plan (other than by virtue of adjustments permitted under the LTIP Plan),
- Permitting Options to be transferred other than for normal estate settlement purposes,
- Removing or exceeding of the insider participation limits,

- Materially modifying the eligibility requirements for participation in the LTIP Plan, or
- Modifying the amending provisions of the LTIP Plan.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No person who is now, or was at any time since the beginning of the most recently completed financial year of the Company has been, a director, executive officer or senior officer of the Company, or associate thereof, been indebted to the Company, or had indebtedness during that period which was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, with the exception of what is provided herein, no director, executive officer, or person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Company, or an associate or affiliate of any of the foregoing, have had any material interest, direct or indirect, in any transaction since the commencement of the Company's last completed fiscal year or in any proposed transaction which, in either case, has or will materially affect the Company.

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue to provide the Financing Package for total gross proceeds of USD\$29.5M. As of the date of this AIF, Vision Blue is the beneficial owner of 35,214,286 common shares representing 35.8% of the issued and outstanding common shares of the Company. Vision Blue is also the beneficial owner of 23,214,286 common share purchase warrants each exercisable at a price of CAD\$1.00 (approximately USD\$0.80) until May 19, 2023. If all outstanding warrants, stock options and restricted share units were exercised, Vision Blue would be the beneficial owner of 58,578,572 common shares representing 46.0% of the fully diluted common shares of the Company. The Chairman of Vision Blue, Sir Mick Davis, was appointed as Chair of the Board of Directors of the Company on March 15, 2021. The second Vision Blue appointee, Ian Pearce, was appointed to the Board of Directors of the Company on July 14, 2021.

ADDITIONAL INFORMATION

Additional information related to the Company, including the Annual Information Form, financial statements and management discussion and analysis (MD&A) for the most recently completed financial year, is available on SEDAR at www.sedar.com or on the Company website at www.nextsourcematerials.com.

Shareholders may request copies of such financial statements and MD&A by mailing a request to: NextSource Materials Inc., 130 King Street West, Exchange Tower Suite 1940, Toronto, Ontario, M5X 2A2.

APPENDIX "A"

BOARD OF DIRECTORS MANDATE

The Board of Directors (the "Board") of NextSource Materials Inc. (the "Corporation") has the responsibilities and duties as outlined below:

1. Responsible for the stewardship of the Corporation.
2. To oversee the management of the business and affairs of the Corporation.
3. To perform such duties and approve certain matters as may be required by applicable legislation and regulations, including those of the Ontario Securities Commission, the United States Securities and Exchange Commission, the Toronto Stock Exchange and the New York Stock Exchange.
4. To oversee the Corporation's strategic direction, organizational structure and succession planning of the Chief Executive Officer.

5. To adopt a strategic planning process and review, on an annual basis, a strategic plan for the Corporation, which takes into account, among other things, the opportunities and risks of the business.
6. To identify the principal business risks and review and approve key policies and practices, particularly in the areas of mine development and safety, property acquisitions, mineral reserve and mineral resource calculations, internal control, corporate governance and risk management and ensure the implementation of appropriate systems to manage those risks.
7. To ensure that the Board receives from senior management the information and input required to enable the Board to effectively perform its duties.
8. To ensure the integrity of the Corporation's internal controls and management information systems.
9. To review and approve all material transactions.
10. To review the performance of the Corporation on a consolidated basis and approve all annual and quarterly financial statements and the declaration of dividends.
11. To the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the organization.
12. To approve the appointment and compensation of executive management and training and monitoring of executive management.
13. To develop the Corporation's approach to corporate governance and its corporate governance principles and guidelines.
14. To provide advice and counsel the Chief Executive Officer.
15. To establish committees of the Board, delegate the appropriate responsibilities to those said committees, and appoint the Chairs for committees of the Board.
16. On the recommendation of the Corporate Governance Committee, to appoint directors or recommend nominees for election to the Board at the Annual Meeting of shareholders.
17. From its membership, to appoint a non-executive Chairman of the Board or Lead Director.
18. To conduct and act upon annual assessments and evaluations of the Board, committees of the Board and individual directors.
19. To oversee the establishment of processes for accurate, timely and full public disclosure, including the Corporation's disclosure policy.
20. To ensure that there is an ongoing, appropriate and effective process in place for ensuring adherence to the Corporation's Code of Ethics.

APPENDIX "B"

AUDIT COMMITTEE CHARTER

GENERAL AND AUTHORITY

The Board of Directors of NextSource appoints the Audit Committee. The Committee is a key component of the Company's commitment to maintaining a higher standard of corporate responsibility. The Committee shall review the Company's financial reports, internal control systems, the management of financial risks and the external audit process. It has the authority to conduct any investigation appropriate to its responsibilities. The Committee has the authority to: engage independent counsel and other advisors as it necessary to carry out its duties; set and pay the compensation for advisors employed by the Committee; and communicate directly with the internal and external auditors.

RESPONSIBILITIES

Overseeing the External Audit Process - The Committee shall recommend to the Board the external auditor to be nominated, shall set the compensation for the external auditor and shall ensure that the external auditor reports directly to the Committee. (b) The Committee shall be directly responsible for overseeing the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting. (c) The Committee shall review the external auditor's audit plan, including scope, procedures and timing of the audit. (d) The Committee shall pre-approve all non-audit services to be provided by the external auditor. (e) The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employers of the present and former external auditor. (f) The Committee shall review fees paid by the Company to the external auditor and other professionals in respect of audit and non-audit services on an annual basis.

Financial Reporting and Internal Controls - (a) The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with generally accepted accounting principles, that the information contained therein is not erroneous, misleading or incomplete and that the audit function has been effectively carried out. (b) The Committee shall report to the Board with respect to its review of the annual audited financial statements and recommend to the Board whether or not same should be approved prior to their being publicly disclosed. (c) The Committee shall review the Company's annual and interim financial statements, management's discussion and analysis relating to annual and interim financial statements, and earnings press releases prior to any of the foregoing being publicly disclosed by the Company. (d) The Committee shall satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements other than the disclosure referred to in Section 3.2(c) of this Charter, and periodically assess the adequacy of these procedures. (e) The Committee shall oversee any investigations of alleged fraud and illegality relating to the Company's finances. (f) The Committee shall establish procedures for: (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (2) the confidential, anonymous submission by employees of the Company or concerns regarding questionable accounting or auditing matters. (g) The Committee shall meet no less frequently than annually with the external auditor and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Company in charge of financial matters, to review accounting practices, internal controls, auditing matters and such other matters as the Committee deems appropriate.

Risk Management - The Committee shall inquire of management and the external auditor regarding significant risks or exposures to which the Company may be subject, and shall assess the adequacy of the steps management has taken to minimize such risks.

Other Responsibilities - The Committee shall perform any other responsibilities consistent with this Charter and any applicable laws as the Committee or Board deems appropriate.

COMPOSITION AND MEETINGS

Composition - (a) The Committee shall be composed of three or more directors, all of whom are independent as per the independence standards of the NYSE MKT in the United States of America and as per the standards of NI 58-101 in Canada (each are independent directors as they do not have involvement in the day-to-day operations of the Company). (b) If at any time, the Company ceases to be exempt from Part 3 of National Instrument 52-110 - Audit Committees, every audit committee member shall be Independent, as such term is defined in said Instrument. (c) Notwithstanding Sections 4.1(a) and 4.1(b) of this Charter, the Committee and its membership shall at all times be so constituted as to meet all current, applicable legal, regulatory and listing requirements, including, without limitation, securities laws and the requirements of the TSX and of all applicable securities regulatory authorities. (d) Committee members will be appointed by the Board. One member shall be designated by the Board to serve as Chair.

Meetings - (a) The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or are required. A minimum of two and at least 50% of the members present in person or by telephone shall constitute a quorum. For quorum to exist, the majority of members' present must not be Company' employees, Control Persons or officers or any of its Associates or Affiliates, (capitalized terms as defined by the TSX). (b) If a vacancy in the Committee exists, the remaining members may exercise all of its powers and responsibilities provided that a quorum (as herein defined) remains in office. (c) The time and place at which meetings of the Committee shall be held, and the procedures at such meetings, shall be determined by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile or electronic means, by giving 48 hours' notice, or such greater notice as may be required under the Company's By-Laws, provided that no notice shall be necessary if all the members are present either in person or by telephone or if those absent have waived notice. (d) The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person, who need not be a member, to act as a secretary at any meeting. (e) The Committee may invite such officers, directors and employees of the Company as it deems appropriate, from time to time, to attend meetings of the Committee. Any matters to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by

all members of the Committee, and such actions shall be effective as though they had been decided by a majority of the votes cast at a meeting of the Committee called for such purpose.

REPORTING TO THE BOARD

The Committee shall report regularly to the Board on Committee activities, findings and recommendations. The Committee is responsible for ensuring that the Board is aware of any matter that may have a significant impact on the financial condition or affairs of the Company.

CONTINUED REVIEW OF CHARTER

The Committee shall review and assess the continued adequacy of this Charter annually and submit such proposed amendments as the Committee sees fit to the Board for its consideration.

Exhibit 99.5 Additional Information**Item 3A. Selected Financial Information**

The following is selected historical financial data regarding the company for the five most recent financial years.

	Year ended June 30, 2021 \$	Year ended June 30, 2020 \$	Year ended June 30, 2019 \$	Year ended June 30, 2018 \$	Year ended June 30, 2017 \$
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss for the year	(41,960,484)	(977,635)	(3,210,504)	(2,784,822)	(3,999,358)
Net loss and comprehensive loss for the year	(41,825,845)	(974,439)	(3,168,791)	(2,709,056)	(3,999,358)
Weighted-average common shares (basic and diluted)	66,654,804	52,720,608	49,358,647	46,828,264	44,818,714
Net loss per common share (basic and diluted)	(0.63)	(0.02)	(0.07)	(0.01)	(0.01)
Dividends declared	-	-	-	-	-
Total assets	26,919,591	273,439	613,403	394,483	2,071,290
Total non-current liabilities	6,335,975	10,679	-	-	-
Total liabilities	53,065,895	1,184,055	1,279,289	519,351	182,883
Total shareholders' equity (deficit)	(26,146,304)	(910,616)	(665,886)	(124,868)	1,661,019

Item 8B. Significant Events

No significant change has occurred since the date of the annual financial statements.

Item 15. Controls and Procedures*Disclosure controls and procedures*

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.

As of June 30, 2021, the end of the period covered by this Annual Report, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2021, the end of the period covered by this Annual Report, we maintained effective disclosure controls and procedures

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act). 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.

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 June 30, 2021.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal year ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A.

The Audit committee financial expert is Chris Kruba.

Item 7A

In addition to the major shareholders disclosed in the 2021 Management Proxy Circular, which is attached as Exhibit 99.4 of this Annual Report on Form 20-F and incorporated herein by reference, to the best of the Company's knowledge, the following table sets forth certain information regarding beneficial ownership of our common shares as of October 28, 2021 and for the previous three years by each person who is known by the Company to own beneficially more than 5% of our common shares.

Name, Principal Position and Address	Number of Common Shares Beneficially Owned November 2021 (%)	Number of Common Shares Beneficially Owned November 2020 (%)	Number of Common Shares Beneficially Owned November 2019 (%)
Vision Blue Resources Limited	35,214,286 (35.6)%	Nil	Nil
Goodman & Company, Investment Counsel Inc. ⁽¹⁾ 2100-1 Adelaide Street East, Ontario, Canada	<5%	<5%	4,571,427 ^(1a) 4,351,672 ^(1b) (17.5)%
VR Capital Group Ltd. ⁽²⁾ Dubai International Financial Centre, Gate Village 4, Suite 402, Dubai, UAE	<5%	<5%	3,065,872 (5.9)%
JP Morgan Chase & Co. ⁽³⁾ 270 Park Avenue, New York, NY10017	Nil	Nil	1,127,800 (3c) (2.2)%

(1) Based on:

- a. Schedule 13G/A filed on March 7, 2017 by Goodman & Company, Investment Counsel Inc., on behalf of CMP 2016 Resource Limited Partnership.
- b. Schedule 13G filed on March 7, 2017 by Goodman & Company, Investment Counsel Inc., on behalf of Dundee Global Resource Class.

(2) Based on:

- a. Schedule 13G/A filed on February 14, 2018 on behalf of (i) VR Global Partners, L.P. (the "Fund"), a Cayman Islands exempted limited partnership, (ii) VR Advisory Services Ltd ("VR"), a Cayman Islands exempted company, as the general partner of the Fund, (iii) VR Capital Participation Ltd. ("VRCP"), a Cayman Islands exempted company, as the sole shareholder of VR, (iv) VR Capital Group Ltd. ("VRCG"), a Cayman Islands exempted company, as the sole shareholder of VRCP, (v) VR Capital Holdings Ltd. ("VRCH"), a Cayman Islands exempted company, as the sole shareholder of VRCG and (vi) Richard Deitz, the principal of VR, VRCP, VRCG, VRCH. All shares of Common Stock are held by the Fund and VRCG.

(3) Based on:

- a. Schedule 13G/A filed on January 15, 2016 by JP Morgan Chase & Co. for itself and its wholly-owned subsidiary, JPMorgan Asset Management (UK) Limited.
- b. Schedule 13G/A filed on January 18, 2017 by JP Morgan Chase & Co. for itself and its wholly-owned subsidiary, JPMorgan Asset Management (UK) Limited.
- c. Schedule 13G/A filed on November 7, 2017 by JP Morgan Chase & Co. for itself and its wholly-owned subsidiary, JPMorgan Asset Management (UK) Limited.

The company's major shareholders do not have different voting rights than other shareholders.

Item 10E

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of Common Shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of Common Shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of Common Shares. Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of Common Shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "Canada-U.S. Tax Convention"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of Common Shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Non-U.S. Holders

For purposes of this summary, a “non-U.S. Holder” is a beneficial owner of Common Shares that is not a U.S. Holder or is a partnership. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from and relating to the acquisition, ownership, and disposition of Common Shares. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership, and disposition of Common Shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a “functional currency” other than the U.S. dollar; (e) own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); or (h) own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act (Canada) (the “Tax Act”); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold Common Shares in connection with carrying on a business in Canada; (d) persons whose Common Shares constitute “taxable Canadian property” under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of Common Shares.

If an entity or arrangement that is classified as a partnership (or “pass-through” entity) for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences to such partnership and the partners (or owners) of such partnership generally will depend on the activities of the partnership and the status of such partners (or owners). This summary does not address the tax consequences to any such partnership or partner (or owner). Partners (or owners) of entities or arrangements that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of Common Shares.

Ownership and Disposition of Common Shares

The following discussion is subject to the rules described below under the heading “Passive Foreign Investment Company Rules.”

Distributions on Common Shares

Subject to the PFIC (as defined below) rules discussed below, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the Company is a PFIC. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares and thereafter as gain from the sale or exchange of such Common Shares. (See “Sale or Other Taxable Disposition of Common Shares” below.) However, the Company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Company with respect to the Common Shares will constitute ordinary dividend income. Dividends received on Common Shares generally will not be eligible for the “dividends received deduction.” Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada-

U.S. Tax Convention or the Common Shares are readily tradable on a U.S. securities market, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

Subject to the PFIC rules discussed below, upon the sale or other taxable disposition of Common Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount of cash plus the fair market value of any property received and such U.S. Holder's tax basis in such Common Shares sold or otherwise disposed of. Subject to the PFIC rules discussed below, gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the Common Shares have been held for more than one year.

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules

If the Company were to constitute a "passive foreign investment company" ("PFIC") for any year during a U.S. Holder's holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of its Common Shares. The Company believes that it was not a PFIC for its tax year ended March 31, 2016. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Company will be a PFIC for any future tax year depends on the assets and income of the Company over the course of each such tax year, and, as a result, cannot be predicted with certainty as of the date of this document. There can be no assurance that the IRS will not challenge any determination made by the Company concerning its PFIC status. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of the Company.

In any year in which the Company is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. In addition to penalties, a failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621 annually.

The Company generally will be a PFIC if, after the application of certain "look-through" rules with respect to subsidiaries in which the Company holds at least 25% of the value of such subsidiary, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income (the "income test") or (b) 50% or more of the value of the Company's assets either produce passive income or are held for the production of passive income (the "asset test"), based on the quarterly average of the fair market value of such assets. "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Royalties are generally treated as active income if such royalties are derived from licensing property that the licensor has developed, created, or produced, or has acquired and added substantial value to, but only so long as the licensor is regularly engaged in the development, creation or production of, or in the acquisition of and addition of substantial value to, property of such kind.

If the Company were a PFIC in any tax year during which a U.S. Holder held its Common Shares, such U.S. Holder generally would be subject to special rules with respect to "excess distributions" made by the Company on the Common Shares and with respect to gain from the disposition of Common Shares. An "excess distribution" generally is defined as the excess of distributions with respect to the Common Shares received by a U.S. Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from the Company during the shorter of the three preceding tax years, or such U.S. Holder's holding period for the Common Shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of the Common Shares ratably over its holding period for the Common Shares. Such amounts allocated to the year of the disposition or excess distribution

would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including the “QEF Election” under Section 1295 of the Code and the “Mark-to-Market Election” under Section 1296 of the Code), such elections are available in limited circumstances and must be made in a timely manner.

U.S. Holders should be aware that, for each tax year, if any, that the Company is a PFIC, the Company can provide no assurances that it will satisfy the record keeping requirements or make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to the Company or any subsidiary that also is classified as a PFIC. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of Common Shares, and the availability of certain U.S. tax elections under the PFIC rules.

Additional Considerations

Additional Tax on Passive Income

Individuals, estates and certain trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on “net investment income” including, among other things, dividends and net gain from disposition of property (other than property held in certain trades or businesses). Special rules apply to PFICs. U.S. Holders should consult their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of Common Shares.

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of Common Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Common Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder’s U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder’s income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder’s U.S. federal income tax liability that such U.S. Holder’s “foreign source” taxable income bears to such U.S. Holder’s worldwide taxable income. In applying this limitation, a U.S. Holder’s various items of income and deduction must be classified, under complex rules, as either “foreign source” or “U.S. source.” Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the Common Shares that is treated as a “dividend” may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisors regarding the foreign tax credit rules.

Backup Withholding and Information Reporting

Under U.S. federal income tax law, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Common Shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, Common Shares will generally be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Any amounts withheld under the U.S. backup withholding tax rules generally will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding rules.

Cover**12 Months Ended
Jun. 30, 2021
shares****Cover [Abstract]**

<u>Entity Registrant Name</u>	NEXTSOURCE MATERIALS INC.
<u>Entity Central Index Key</u>	0001302084
<u>Document Type</u>	20-F
<u>Amendment Flag</u>	false
<u>Entity Voluntary Filers</u>	No
<u>Current Fiscal Year End Date</u>	--06-30
<u>Entity Well Known Seasoned Issuer</u>	No
<u>Entity Shell Company</u>	false
<u>Entity Emerging Growth Company</u>	false
<u>Entity Current Reporting Status</u>	Yes
<u>Document Period End Date</u>	Jun. 30, 2021
<u>Entity Filer Category</u>	Non-accelerated Filer
<u>Document Fiscal Period Focus</u>	FY
<u>Document Fiscal Year Focus</u>	2021
<u>Entity Common Stock Shares Outstanding</u>	98,184,260
<u>Document Annual Report</u>	true
<u>Document Transition Report</u>	false
<u>Entity File Number</u>	000-05151
<u>Entity Address Address Line 1</u>	130 King Street West
<u>Entity Address Address Line 2</u>	Exchange Tower Suite 1940
<u>Entity Address City Or Town</u>	Toronto
<u>Entity Address Country</u>	CA
<u>Entity Address Postal Zip Code</u>	M5X 2A2
<u>Security 12g Title</u>	Common Stock, \$nil par value
<u>Entity Interactive Data Current</u>	Yes
<u>Document Registration Statement</u>	false

**Consolidated Statements of
Financial Position - USD (\$)**

**12 Months Ended
Jun. 30, 2021 Jun. 30, 2020 Jun. 30, 2019**

Current Assets:

<u>Cash and cash equivalents</u>	\$ 22,437,086	\$ 222,305	
<u>Amounts receivable (note 17)</u>	92,370	7,539	
<u>Prepaid expenses (note 17)</u>	52,974	25,484	
<u>Total Current Assets</u>	22,582,430	255,328	
<u>Property, plant and equipment (note 7)</u>	4,337,161	18,111	
<u>Total Assets</u>	26,919,591	273,439	

Current Liabilities:

<u>Accounts payable (note 17)</u>	383,428	323,876	
<u>Accrued liabilities (note 17)</u>	221,692	370,449	
<u>Share subscriptions</u>	0	68,411	
<u>Short term debt (note 8)</u>	0	22,115	
<u>Additions to property, plant and equipment</u>	(4,325,642)	0	\$ 0
<u>Current portion of lease obligations (note 9)</u>	5,845	5,339	
<u>Fair value of warrant derivate financial liabilities (note 11)</u>	45,380,933	208,768	
<u>Provisions (note 12)</u>	738,022	174,418	
<u>Total Current Liabilities</u>	46,729,920	1,173,376	
<u>Royalty obligation (note 10)</u>	6,330,721	0	
<u>Lease obligations (note 9)</u>	5,254	10,679	
<u>Total Liabilities</u>	53,065,895	1,184,055	
<u>Share capital (note 13)</u>	120,491,932	103,901,775	
<u>Accumulated deficit</u>	(146,893,550)	(104,933,066)	
<u>Accumulated other comprehensive income</u>	255,314	120,675	
<u>Shareholders' Equity (Deficit)</u>	(26,146,304)	(910,616)	\$ (665,886)
<u>Total Liabilities and Shareholders' Equity (Deficit)</u>	\$ 26,919,591	\$ 273,439	

**Consolidated Statements of
Operations and
Comprehensive Loss - USD
(\$)**

12 Months Ended

Jun. 30, 2021 Jun. 30, 2020 Jun. 30, 2019

Consolidated Statements of Operations and Comprehensive Loss

<u>Revenues</u>	\$ 0	\$ 0	\$ 0
<u>Expenses and other income</u>			
<u>Mine development expenses (notes 5 and 16)</u>	323,668	179,256	965,468
<u>Exploration and evaluation expenses (notes 6 and 16)</u>	46,815	66,110	137,926
<u>General and administrative expenses (note 16 and 17)</u>	1,396,801	1,114,087	1,533,515
<u>Share-based compensation (note 17)</u>	3,744,172	0	651,692
<u>Amortization of plant and equipment (note 7)</u>	6,592	6,053	0
<u>Finance costs (note 9)</u>	1,317	0	0
<u>Foreign currency translation (gain) loss</u>	101,252	3,552	(4,565)
<u>Interest (income)</u>	(104)	0	0
<u>Interest expense</u>	273	2,098	0
<u>Flow through provision (gain)</u>	(146,814)	0	0
<u>Foreign taxes</u>	92	772	0
<u>Sub-total before other items</u>	5,474,064	1,371,928	3,284,036
<u>Government assistance</u>	0	(7,353)	0
<u>Change in value of warrant liability (note 11)</u>	36,486,420	(386,940)	(73,532)
<u>Net loss for the year</u>	(41,960,484)	(977,635)	(3,210,504)
<u>Items that will be reclassified subsequently to net loss</u>			
<u>Translation adjustment for foreign operations</u>	134,639	3,196	41,713
<u>Net loss and comprehensive loss for the year</u>	\$ (41,825,845)	\$ (974,439)	\$ (3,168,791)
<u>Weighted-average common shares (basic and diluted)</u>	66,654,804	52,720,608	49,358,647
<u>Net loss per common shares (basic and diluted)</u>	\$ (0.63)	\$ (0.02)	\$ (0.07)

Consolidated Statements of Changes in Shareholders' Equity - USD (\$)	Total	Number of Common Shares	Retained Earnings (Accumulated Deficit)	Accumulated other comprehensive Income
<u>Balance, shares at Jun. 30, 2019</u>		50,741,704		
<u>Balance, amount at Jun. 30, 2019</u>	\$ (665,886)	\$ 103,172,066	\$ (103,955,431)	\$ 117,479
Statement [Line Items]				
<u>Private placement of common shares, shares</u>		2,907,777		
<u>Private placement of common shares, amount</u>	998,620	\$ 998,620	0	0
<u>Cost of issue of common shares</u>	(7,821)	(7,821)	0	0
<u>Reclassification of equity to warrant liability</u>	(261,090)	(261,090)	0	0
<u>Net loss for the year</u>	(977,635)	0	(977,635)	0
<u>Cumulative translation adjustment</u>	3,196	\$ 0	0	3,196
<u>Balance, shares at Jun. 30, 2020</u>		53,649,481		
<u>Balance, amount at Jun. 30, 2020</u>	(910,616)	\$ 103,901,775	(104,933,066)	120,675
Statement [Line Items]				
<u>Private placement of common shares, shares</u>		41,372,165		
<u>Private placement of common shares, amount</u>	19,976,571	\$ 19,976,571	0	0
<u>Cost of issue of common shares</u>	(113,446)	(113,446)	0	0
<u>Reclassification of equity to warrant liability</u>	(12,921,861)	(12,921,861)	0	0
<u>Net loss for the year</u>	(41,960,484)	0	(41,960,484)	0
<u>Cumulative translation adjustment</u>	134,639	0	0	134,639
<u>Shares issued on exercise of warrants, amount</u>	1,108,200	\$ 1,108,200	0	0
<u>Shares issued on exercise of warrants, shares</u>		1,842,997		
<u>Reclassification of warrant liability to equity on exercise of warrants</u>	4,236,116	\$ 4,236,116	0	0
<u>Shares issued on exercise of stock options, shares</u>		802,174		
<u>Shares issued on exercise of stock options, amount</u>	560,406	\$ 560,406	0	0
<u>Shares issued on conversion of restricted share units, shares</u>		517,443		
<u>Stock options granted under long-term incentive plan</u>	2,777,403	\$ 2,777,403	0	0
<u>Shares issued on conversion of restricted share units, amount</u>	0	0	0	0
<u>Restricted share units granted under long-term incentive plan</u>	966,768	\$ 966,768	0	0

<u>Balance, shares at Jun. 30, 2021</u>		98,184,260		
<u>Balance, amount at Jun. 30, 2021</u>	\$	\$ 120,491,932	\$ (146,893,550)	\$ 255,314
	(26,146,304)			

**Consolidated Statements of
Cash Flows - USD (\$)**

**12 Months Ended
Jun. 30, 2021 Jun. 30, 2020 Jun. 30, 2019**

Operating activities

Net loss for the year \$ (41,960,484) \$ (977,635) \$ (3,210,504)

Add (deduct) items not affecting cash:

<u>Amortization of plant and equipment</u>	6,592	6,053	0
<u>Change in value of warrant derivative liability</u>	36,486,420	(386,940)	(73,532)
<u>Share-based compensation (options)</u>	3,744,172	0	651,692
<u>Government assistance</u>	0	(7,373)	0
<u>Change in value of lease obligations</u>	1,448	(3,337)	0
<u>(Increase) decrease in amounts receivable and prepaid expenses</u>	(112,321)	51,049	(28,291)
<u>Increase (decrease) in accounts payable and accrued liabilities</u>	(89,205)	(69,692)	425,320
<u>Increase (decrease) in provision</u>	563,604	(6,234)	0
<u>Increase (decrease) in share subscriptions received in advance</u>	(68,411)	68,411	0
<u>Net cash used in operating activities</u>	(1,428,185)	(1,325,698)	(2,235,315)

Investing activities

<u>Additions to property, plant and equipment</u>	(4,325,642)	0	0
<u>Net cash used in investing activities</u>	(4,325,642)	0	0

Financing activities

<u>Proceeds from issuance of common shares</u>	19,976,571	998,620	2,444,015
<u>Exercise of stock options</u>	560,406	0	0
<u>Exercise of warrants</u>	1,108,200	0	0
<u>Common share issue costs finder shares</u>	0	0	17,966
<u>Common share issue costs</u>	(113,446)	(7,821)	(77,750)
<u>Short term debt</u>	(22,115)	29,486	0
<u>Lease liability principal payments</u>	(6,367)	(4,810)	0
<u>Proceeds from royalty financing</u>	6,330,721	0	0
<u>Net cash provided by financing activities</u>	27,833,970	1,015,475	2,384,231
<u>Effect of exchange rate changes on cash and cash equivalents</u>	134,638	3,197	41,713
<u>Net increase (decrease) in cash and cash equivalents during the year</u>	22,214,781	(307,026)	190,629
<u>Cash and cash equivalents, beginning of year</u>	222,305	529,331	338,702
<u>Cash and cash equivalents, end of year</u>	\$ 22,437,086	\$ 222,305	\$ 529,331

Nature of Operations

**12 Months Ended
Jun. 30, 2021**

1. Nature of Operations

1. Nature of Operations

NextSource Materials Inc. (the “Company” or “NextSource”) is principally engaged in the development of mineral resources and value-added processing of graphite into materials used in batteries and other technological applications.

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

The Company is currently constructing the first phase of its Molo Graphite Mine, located in Madagascar, and is evaluating the construction of a coated spheronized graphite plant, in a location to be determined, and is evaluating the Green Giant Vanadium Project, located in Madagascar. The Company does not currently operate any mines and has not completed the construction of any mines. No commercial revenue has been generated from any mineral resources. The Company does not pay dividends and is unlikely to do so in the immediate or foreseeable future.

These consolidated financial statements were approved by the Board of Directors of the Company (the “Board”) on September 28, 2021.

Basis of Presentation

12 Months Ended
Jun. 30, 2021

Expenses and other income

2. Basis of Presentation

2. Basis of Presentation

Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance and comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of measurement

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

Going Concern Assumption

As of June 30, 2021, the Company had cash and cash equivalents of \$22,437,086 which is expected to be sufficient to complete construction and commissioning of Phase 1 of the Molo Graphite Mine prior to June 30, 2022. As such, the Company believes it can continue as a going concern.

In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company’s ability to continue operations and fund its exploration and development expenditures is not dependent on management’s ability to secure additional financing. These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

Basis of consolidation

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

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

Summary of Significant Accounting Policies

12 Months Ended
Jun. 30, 2021

3. Summary of Significant Accounting Policies

3. Summary of Significant Accounting Policies

Foreign currencies

The presentation and functional currency of the Company is the US dollar.

The Company has primarily expended its cash on international exploration projects and historically generated its equity funding in US dollars. The Company expects to sell graphite priced in US dollars once the Molo Graphite Mine achieves production. The Company office is located in Canada and the Company expends a portion of its payroll, professional and general and administrative costs in Canadian dollars, which are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used. The Company functional currency of the Mauritius subsidiaries is the United States dollar. The functional currency of the Madagascar subsidiaries is the Madagascar Ariary. Transfers of cash from the Company to its subsidiaries is typically completed using US dollars. All Ariary transactions are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used.

For the purpose of presenting consolidated financial statements, subsidiary company assets and liabilities are expressed in United States dollars using the prevailing exchange rates at the end of the reporting period. Any exchange differences that arise are recognized in other comprehensive income and cumulative translation adjustment in equity.

At the end of each reporting period, the Company translates foreign currency balances as follows:

- monetary items are translated at the closing rate in effect at the consolidated statement of financial position;
- non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured; and
- revenue and expense items are translated using the average exchange rate during the period.

The intercompany loans made to the subsidiary companies are considered part of the parent company's net investment in a foreign operation as the Company does not plan to settle these balances in the foreseeable future. As a result of this assessment, the unrealized foreign exchange gains and losses on the intercompany loans are recorded through comprehensive loss. If the Company determined that settlement of these amounts was planned or likely in the foreseeable future, the resultant foreign exchange gains and losses would be recorded through profit or loss.

The Company considers cash equivalents to be cash and highly liquid investments with original maturities of three months or less.

Prepayments and deposits

The Company makes prepayments and deposits to suppliers of services. These are recognized as prepayments when made and recognized as expenses when received. Prepayments and deposits on assets that are long term in nature are recorded as long-term prepayments and deposits.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial liabilities are derecognized when the obligation under the liability is extinguished, discharged, cancelled or expired. Gains and losses on derecognition of financial assets and financial liabilities are recognized within financing income and financing expense, respectively.

Management determines the classification of financial assets and financial liabilities at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and/or management's intent. Transaction costs with respect to instruments not classified as fair value through profit or loss are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

3. Summary of Significant Accounting Policies (continued)

The Company's financial instruments were classified in the following categories:

Financial assets measured at fair value through profit or loss (FVTPL):

An instrument is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. A financial asset is classified as fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so, designated by management. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Financial instruments included in this category are initially recognized at fair value and transaction costs are taken directly to earnings along with gains and losses arising from changes in fair value. All changes in their fair value are recorded through profit or loss.

The following financial assets are measured at fair value through profit or loss:

- Cash and cash equivalents

Financial assets measured at amortized cost:

Financial assets measured at amortized cost are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost. Interest revenue on advances and loans receivable are recognized using the effective interest method.

The following financial assets are measured at amortized cost:

- Amounts receivable (excluding sales taxes)

Impairment of financial assets measured at amortized costs:

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence that the estimated future cash flows of the financial asset or the group of financial assets have been negatively impacted. Evidence of impairment may include indications that debtors are experiencing financial difficulty, default or delinquency in interest or principal payments, or other observable data which indicates that there is a measurable decrease in the estimated future cash flows.

If an impairment loss has occurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated

future cash flows is discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in financing expense. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of financing income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If an impairment is later recovered, the recovery is credited to financing income.

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets. Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it expects to receive. This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets). Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk, whereby '12-month expected credit losses' are recognized ('Stage 1')
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low, whereby 'lifetime expected credit losses' are recognized ('Stage 2')
- financial assets that have objective evidence of impairment at the reporting date, whereby the asset is written off as there is no reasonable expectation of recovering all or any portion thereof ('Stage 3')

3. Summary of Significant Accounting Policies (continued)

The Company applied the simplified approach in accounting for amounts receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the lifetime expected credit losses using a provision matrix.

For financial assets assessed as impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated as FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within accretion of deferred obligation, finance costs or finance income.

The following financial liabilities are measured at amortized cost:

- Accounts payable
- Accrued liabilities
- Provision
- Royalty obligation
- Short term debt

Financial liabilities measured at fair value through profit or loss:

Financial liabilities designated as FVTPL are initially recognized at fair value and transaction costs are taken directly to earnings along with gains and losses arising from changes in fair value. Derivative instruments, including embedded derivatives, are recorded at fair value unless exempted from derivative treatment as normal purchase and sale. All changes in their fair value are recorded through profit or loss.

The following financial liabilities are measured at fair value through profit or loss:

- Warrant derivative liability

Fair value measurement

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The binomial and Black Scholes valuation techniques are permitted under IFRS for fair value calculations.

As of June 30, 2021, and 2020, only cash and cash equivalents, which is a Level 1 financial instrument, and the warrant liability, which is a Level 3 financial instrument, are recorded at fair value on the consolidated statements of financial position.

Exploration and evaluation expenditures

Exploration and evaluation expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition.

3. Summary of Significant Accounting Policies (continued)

Exploration and evaluation expenditures are expensed as incurred unless it can be demonstrated that the project will generate future economic benefit. When it is determined that a project can generate future economic benefit the costs are capitalized in the property, plant and mine development line item in the consolidated statements of financial position.

The exploration and evaluation phase ends when the technical feasibility and commercial viability of extracting the mineral is demonstrable.

Mine Development Expenditures

Mine development stage expenditures are costs incurred to obtain access to proven and probable mineral reserves or mineral resources and provide facilities for extracting, treating, gathering, transporting and storing the minerals. The development stage of a mine commences when the technical feasibility and commercial viability of extracting the mineral resource has been determined.

Costs that are directly attributable to mine development are capitalized to the extent that they are necessary to bring the property to commercial production. Abnormal costs are expensed as incurred. Indirect costs are included only if they can be directly attributed to the area of interest. General and administrative costs are capitalized as part of the development expenditures when the costs are directly attributed to a specific mining development project.

Revenue from flake graphite sales prior to the achievement of commercial production is deducted from capitalized mine development costs in the consolidated statements of financial position and is not included in revenue from mining operations.

Commercial Production

A mine construction project is considered to have entered the production stage when the mine construction assets are available for use. In determining whether mine construction assets are considered available for use, the criteria considered include, but are not limited to, the following:

- completion of a reasonable period of testing mine plant and equipment;
- ability to produce minerals in saleable form (within specifications); and
- ability to sustain ongoing production of minerals.

When a mine construction project moves into the production stage, amortization commences, the capitalization of certain mine construction costs ceases and expenditures are either capitalized to inventories or expensed as incurred. Exceptions include costs incurred for additions or improvements to property, plant, equipment, and mine development and for open-pit stripping activities.

Mining properties, plant and equipment

Mining Properties

The cost of mining properties includes the fair value attributable to proven and probable mineral reserves and mineral resources acquired in a business combination or asset acquisition, underground mine development costs, deferred stripping, capitalized exploration and evaluation costs and capitalized borrowing costs.

Significant payments related to the acquisition of land and mineral rights are capitalized as mining properties at cost. If a mineable ore body is discovered, such costs are amortized to income when commercial production commences, using the units-of-production method, based on estimated proven and probable mineral reserves and the mineral resources included in the current life of mine plan. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined that the property has no future economic value.

Assets Under Construction

Cost components of a specific project that are included in the capital cost of the asset include salaries and wages directly attributable to the project, supplies and materials used in the project, and incremental overhead costs that can be directly attributable to the project.

Assets under construction are not amortized until the earlier of the end of the construction period or once commercial production is achieved. Upon achieving the production stage, the capitalized construction costs are transferred to the appropriate category within property, plant, equipment and mine development.

3. Summary of Significant Accounting Policies (continued)

Plant and Equipment

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. The cost of an item of plant and equipment includes: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and the estimate of the costs of dismantling and removing the item and restoring the site on which it is located other than costs that arise as a consequence of having used the item to produce inventories during the period.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations and comprehensive loss when the asset is derecognized.

Amortization of an asset begins when the asset is in the location and condition necessary for it to operate in the manner intended by management. Amortization ceases at the earlier of the date the asset is classified as held for sale or the date the asset is derecognized. Assets under construction are not amortized until the earlier of the end of the construction period or once commercial production is achieved. Amortization is charged according to either the units-of-production method or on a straight-line basis, according to the pattern in which the asset's future economic benefits are expected to be consumed. The amortization method applied to an asset is reviewed at least annually.

Useful lives of plant and equipment are based on the lesser of the estimated mine lives as determined by proven and probable mineral reserves and the mineral resources included in the current life of mine plan and the estimated useful life of the asset.

The following sets out the useful lives of certain assets:

- Exploration and evaluation equipment 3 to 5 years
- Office equipment 3 to 5 years
- Vehicles 5 years
- Right of use assets 4 years
- Processing plant 1 to 30 years

Deferred Stripping

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping.

During the development stage of the mine, stripping costs are capitalized as part of the cost of building, developing and constructing the mine and are amortized once the mine has entered the production stage.

During the production stage of a mine, stripping costs are recorded as a part of the cost of inventories unless these costs are expected to provide a future economic benefit and, in such cases, are capitalized to property, plant and mine development.

Production stage stripping costs provide a future economic benefit when:

- It is probable that the future economic benefit (e.g., improved access to the ore body) associated with the stripping activity will flow to the Company;
- The Company can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Capitalized production stage stripping costs are amortized over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Borrowing Costs

Borrowing costs are capitalized to qualifying assets. Qualifying assets are assets that take a substantial period of time to prepare for the Company's intended use, which includes projects that are in the exploration and evaluation, development or construction stages.

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance costs in the period in which they are incurred. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period.

3. Summary of Significant Accounting Policies (continued)

Impairment of long-lived assets

A Cash Generating Unit ("CGU") is defined as the smallest identifiable group of assets that are able to generate cash inflows. If an active market exists for the output produced by an asset or group of assets, that asset or group of assets shall be identified as a CGU, even if some or all of the output is used internally. At the end of each reporting period the Company assesses whether there is any indication that long-lived assets other than goodwill may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the CGU level for the purpose of assessing the recoverable amount. An impairment loss is recognized for any excess of the carrying amount of the CGU over its recoverable amount. If the CGU includes goodwill, the impairment loss related to a CGU is first allocated to goodwill and the remaining loss is allocated on a pro-rata basis to the remaining long-lived assets of the CGU based on their carrying amounts. Impairment losses are recorded in the consolidated statements of operations and comprehensive loss in the period in which they occur.

Any impairment charge that is taken on a long-lived asset other than goodwill is reversed if there are subsequent changes in the estimates or significant assumptions that were used to recognize the impairment loss that result in an increase in the recoverable amount of the CGU. If an indicator of impairment reversal has been identified, the recoverable amount of the asset is calculated in order to determine if any impairment reversal is required. A recovery is recognized to the extent the recoverable amount of the asset exceeds its carrying amount. The amount of the reversal is limited to the difference between the current carrying amount and the amount which would have been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued. The impairment reversal is allocated on a pro-rata basis to the existing long-lived assets of the CGU based on their carrying amounts. Impairment reversals are recorded in the consolidated statements of operations and comprehensive loss in the period in which they occur.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether:

- The contract involves the use of an explicitly or implicitly identified asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract term;
- The Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e. the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company presents right-of-use assets in the plant and equipment line item on the consolidated statements of financial position and lease liabilities in the lease obligations line item on the consolidated statements of financial position.

Short-term leases and leases of low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and leases of low value assets are recognized as an expense in the consolidated statements of operations and comprehensive loss.

3. Summary of Significant Accounting Policies (continued)

Reclamation provisions

Asset retirement obligations ("AROs") arise from the acquisition, development and construction of mining properties and plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings closure and rehabilitation, demolition of buildings and mine facilities, ongoing water treatment and ongoing care and maintenance of closed mines. The Company recognizes an ARO at the time the environmental disturbance occurs or a constructive obligation is determined to exist based on the Company's best estimate of the timing and amount of expected cash flows expected to be incurred. When the ARO provision is recognized, the corresponding cost is capitalized to the related item of property, plant and equipment. Reclamation provisions that result from disturbance in the land to extract ore in the current period is included in the cost of inventories.

The timing of the actual environmental remediation expenditures is dependent on a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a risk-free interest rate. AROs are adjusted each period to reflect the passage of time (accretion). Accretion expense is recorded in finance costs each period. Upon settlement of an ARO, the Company records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains or losses are recorded in the consolidated statements of operations and comprehensive loss.

Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are the construction of new processing facilities, changes in the quantities of material in mineral reserves and mineral resources and a corresponding change in the life of mine plan, changing ore characteristics that impact required environmental protection measures and related costs, changes in water quality that impact the extent of water treatment required and changes in laws and regulations governing the protection of the environment.

Each reporting period, provisions for AROs are remeasured to reflect any changes to significant assumptions, including the amount and timing of expected cash flows and risk-free interest rates. Changes to the reclamation provision resulting from changes in estimate are added to or deducted from the cost of the related asset, except where the reduction of the reclamation provision exceeds the carrying value of the related assets in which case the asset is reduced to nil and the remaining adjustment is recognized in the consolidated statements of operations and comprehensive loss.

Environmental remediation liabilities (“ERLs”) are differentiated from AROs in that ERLs do not arise from environmental contamination in the normal operation of a long-lived asset or from a legal or constructive obligation to treat environmental contamination resulting from the acquisition, construction or development of a long-lived asset. The Company is required to recognize a liability for obligations associated with ERLs arising from past acts. ERLs are measured by discounting the expected related cash flows using a risk-free interest rate. The Company prepares estimates of the timing and amount of expected cash flows when an ERL is incurred. Each reporting period, the Company assesses cost estimates and other assumptions used in the valuation of ERLs to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the value of the ERLs. Any change in the value of ERLs results in a corresponding charge or credit to the consolidated statements of operations and comprehensive loss. Upon settlement of an ERL, the Company records a gain or loss if the actual cost differs from the carrying amount of the ERLs in the consolidated statements of operations and comprehensive loss.

The Company’s operations are subject to environmental regulations in Madagascar. As at the date of these financial statements, the Company did not have any environmental rehabilitation obligations (ERLs) and had no asset retirement obligations (AROs).

Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as financing expense. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

Warrant liabilities

The Company issued share purchase warrants with an exercise price denominated in a currency other than its functional currency. As a result, the warrants are no longer considered solely indexed to the Company's common shares and are classified as financial liabilities and recorded at the estimated fair value at each reporting date using the Black Scholes valuation model and Level 3 inputs on the financial instrument hierarchy. The Company records the change in fair value of the warrant liability as a component of other income and expense on the consolidated statement of operations and comprehensive loss.

3. Summary of Significant Accounting Policies (continued)

Share-based compensation

The Company offers equity-settled awards (the Long Term Incentive Plan "LTIP") to certain employees, officers and directors of the Company.

Stock options

The Company's LTIP provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to the market price on the day prior to the date of grant. The fair value of these options is recognized in the consolidated statements of operations and comprehensive loss or in the consolidated statements of financial position if capitalized as part of property, plant and mine development over the applicable vesting period as a compensation cost. Any consideration paid by employees on exercise of options or purchase of common shares is credited to share capital.

The fair value of share-based compensation is determined at the date of grant using the Black-Scholes option valuation model. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where this fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted, as at the date the Company obtains the goods or the counterparty renders the service. The fair value of the share-based compensation is only re-measured if there is a modification to the terms of the instrument, such as a change in exercise price or legal life. The fair value of the share-based compensation is recognized as an expense over the expected vesting period with a corresponding entry to shareholders' equity.

Restricted share units (RSUs)

The Company's LTIP provides for the granting of restricted share units ("RSU") to directors, officers, employees and service providers to purchase common shares. RSUs are subject to vesting requirements based on specific performance measurements by the Company. The fair value for the portion of the RSUs related to market conditions is based on the application of pricing models at the grant date and the fair value for the portion related to non-market conditions is based on the market value of the shares at the grant date. Compensation expense is based on the current best estimate of the outcome for the specific performance measurement established by the Company and is recognized over the vesting period based on the number of units estimated to vest. The cost of the RSUs is recorded within equity until settled. Equity-settled awards are not remeasured subsequent to the initial grant date.

Income taxes

Income tax consists of current and deferred tax expense. Income tax is recognized in profit or loss except to the extent it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Loss per share

Basic net loss per share is calculated by dividing net loss for a given period by the weighted average number of common shares outstanding during that same period. Diluted net loss per share reflects the potential dilution that could occur if holders with rights to convert instruments to common shares exercise these rights. The weighted average number of common shares used to determine diluted net loss per share includes an adjustment, using the treasury stock method, for outstanding stock options and warrants.

Under the treasury stock method:

- the exercise of stock options and warrants is assumed to occur at the beginning of the period (or date of issuance, if later);
- the proceeds from the exercise of stock options and warrants plus the future period compensation expense on stock options and warrants granted are assumed to be used to purchase common shares at the average market price during the period; and

3. Summary of Significant Accounting Policies (continued)

- the incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted net loss per share calculation.

Comparative figures

For the year ending June 30, 2021, the Company modified the expenditure classifications on the Statement of Operations and Comprehensive Loss resulting in changes to the presentation of prior year expenditures for comparative purposes, whereby certain expenditures for the years ending June 30, 2020 and June 30, 2019 that were previously included in exploration and evaluation expenses, management and professional fees, and general and administrative expenses have been reclassified into other expenditures classifications.

Recently Issued Accounting Pronouncements

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, the IASB issued amendments to IAS 16 Property, Plant and Equipment that clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and mine development to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit entities from deducting amounts received from selling items produced from the cost of property, plant and mine development while the Company is preparing the asset for its intended use. Instead, sales proceeds and the cost of producing these items will be recognized in the consolidated statements of operations and comprehensive loss. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments apply

retrospectively, but only to assets brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company is evaluating the extent of the impact of the amendments on its financial statements.

Significant judgments, estimates and assumptions

**12 Months Ended
Jun. 30, 2021**

4. Significant judgments, estimates and assumptions

4. Significant judgments, estimates and assumptions

To prepare financial statements in conformity with IFRS, the Company must make estimates, judgements and assumptions concerning the future that affect the carrying values of assets and liabilities as of the date of the consolidated financial statements and the reported values of revenues and expenses during the reporting period. By their nature, these are uncertain and actual outcomes could differ from the estimates, judgments and assumptions. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods. Significant accounting judgments, estimates and assumptions are reviewed on an ongoing basis.

Uncertainty due to the Covid-19 Pandemic

The impact of COVID-19 on the Company has been limited since it does not have any active exploration programs and construction activities related to the Molo Graphite Mine have mainly focused on the assembly of the processing plant overseas by our EPC contractor. Certain of our directors, officers, employees, consultants, and contractors have been indirectly impacted by intermittent lockdowns that have been imposed in Canada, Madagascar, Mauritius and in South Africa.

The Company has tried to incorporate the impact COVID-19 outbreaks and intermittent lockdowns into the development plans for the Molo Graphite Mine. Notwithstanding, intermittent lockdowns have the potential to cause unforeseen delays in the plant assembly and delivery schedule, as well as with mine site works construction schedule. It is not possible for the Company to predict the duration or magnitude of adverse impacts from further outbreaks and predict the effects on the Company's business or results of operations.

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, the Company or others related to the COVID-19 pandemic. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

Inputs and assumptions relate to, among other things, interest rates, foreign exchange rates, cost of capital, commodity prices, and the amount and timing of future cash flows, while accounting judgments take into consideration the business and economic uncertainties related to the COVID-19 pandemic and the future response of governments, the Company and others to those uncertainties. In the current environment, the inputs and assumptions and judgements are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19 pandemic on various financial accounts and note disclosures and could lead to a material adjustment to the carrying value of the assets or liabilities affected. The impact of current uncertainty on judgments, estimates and assumptions includes the Company's valuation of the long-term assets (including the assessment for impairment and impairment reversal), estimation of reclamation provisions, estimation of mineral reserves and mineral resources, and estimation of income and mining taxes. Actual results may differ materially from these estimates.

4. Significant judgments, estimates and assumptions (continued)

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the ability to continue as a going concern.

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment to determine whether future economic benefits are likely to arise and whether activities have reached a stage where the technical feasibility and commercial viability of extracting the mineral resource is demonstrable.

Development Stage Expenditures

The application of the Company's accounting policy for development stage expenditures requires judgment to determine when the technical feasibility and commercial viability of extracting a mineral resource has been determined. Some of the factors that the Company may consider in its assessment of technical feasibility and commercial viability are set out below:

- The level of geological certainty of the mineral deposit;
- Life of mine plans or economic models to support the economic extraction of reserves and mineral resources;
- A preliminary economic assessment, prefeasibility study or feasibility study that demonstrates the reserves and mineral resources will generate a positive commercial outcome;
- Reasonable expectations that operating permits will be obtained; and
- Approval by the Board of development of the project.

Income Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Derivative warrant liability

The Company measures the fair value of the derivative liability using an option pricing model. This estimate requires determining the most appropriate inputs to the valuation model including the expected life of the warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the warrant liability along with the assumptions and model used for estimating fair value are disclosed in Note 11 - *Warrant derivative liabilities*.

Royalty obligation

The Company accounts for a royalty obligation using a discounted cash flow forecast based on estimated future revenues from the Molo Graphite Mine, which is prepared by management. It is not based on observable market data but rather it is based on unobservable inputs of which the significant assumptions include the estimated flake graphite sales volumes and selling prices during the royalty term. Changes to these assumptions could have a significant impact on the measurement of the royalty obligation.

Share-based compensation

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense along with the assumptions and model used for

estimating fair value for share-based compensation transactions are disclosed in Note 15 – *Long term incentive plan*.

Flow-Through Provision Estimates

The estimation of the value of the provision for the Part XII.6 taxes for the indemnification liability to subscribers of the flow-through shares issued in fiscal 2014 for the additional taxes payable to such subscribers related to the CEE renunciation shortfall that occurred in fiscal 2015 is based on applying a blended tax rate of approximately 35% against the CEE renunciation shortfall. The assumptions and calculations used for estimating the value attributed to the flow-through provision are disclosed in Note 12 - *Provisions*.

Mineral Development Property

12 Months Ended
Jun. 30, 2021

5. Mineral Development Property

5. Mineral Development Property

On March 29, 2021, upon obtaining approval to initiate mine construction from the Board, the Company began capitalizing development costs related to the Molo Graphite Mine. As of June 30, 2021, the Company capitalized \$708,514 (2020: \$nil) as mining property and \$3,611,890 (2020: \$nil) as assets under construction.

Molo Graphite Mine, Southern Madagascar Region, Madagascar

On December 14, 2011, the Company entered into a Definitive Joint Venture Agreement (“JVA”) with Malagasy Minerals Limited (“Malagasy”), a public company listed on the Australian Stock Exchange, to acquire a 75% interest in a property package for the exploration and development of industrial minerals, including graphite, vanadium and 25 other minerals. The land position consisted of 2,119 permits covering 827.7 square kilometers and is mostly adjacent towards the south and east with the Company’s 100% owned Green Giant Vanadium Project. Pursuant to the JVA, the Company paid \$2,261,690 and issued 750,000 common shares that were valued at \$1,350,000.

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together “the Agreements”) with Malagasy to acquire the remaining 25% interest, subject to Malagasy retaining a 1.5% net smelter royalty (“NSR”). Pursuant to the Agreements, the Company paid \$364,480 (CAD\$400,000), issued 250,000 common shares subject to a 12-month voluntary vesting period that were valued at \$325,000 and issued 350,000 common share purchase warrants, which were valued at \$320,950 using Black-Scholes, with an exercise price of \$0.14 and an expiry date of April 15, 2019. On May 20, 2015 and upon completion of a bankable feasibility study (“BFS”) for the Molo Graphite Property, the Company paid \$546,000 (CAD\$700,000) and issued 100,000 common shares, which were valued at \$100,000. A further cash payment of approximately \$771,510 (CAD\$1,000,000) will be due within five days of the commencement of commercial production (the “Commercial Production Fee”). The Company also acquired a 100% interest in the industrial mineral rights on approximately 1 ½ additional claim blocks covering 10,811 hectares adjoining the east side of the Molo Graphite Property. Prior to becoming a Director of the Company, Brett Whalen purchased an option to acquire the 1.5% NSR from Malagasy, upon the mine achieving commercial production, in return for a further payment to Malagasy.

The Molo Graphite Project is located within Exploration Permit #3432 (“PR 3432”) as issued by the Bureau de Cadastre Minier de Madagascar (“BCMM”) pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The Molo Graphite Project exploration permit PR 3432 is currently held under the name of our Madagascar subsidiary, which has paid all taxes and administrative fees to the Madagascar government and its mining ministry with respect to all the mining permits held in country. These taxes and administrative fee payments have been acknowledged and accepted by the Madagascar government.

On February 15, 2019, the Company received a 40-year mining license for the Molo Graphite Project from the Madagascar Government which does not limit mining to any specific volume.

On April 11, 2019, the Company also received the Global Environmental Permit for the Molo Graphite Project from the Madagascar Ministry of Environment’s Office National pour l’Environnement (the National Office for the Environment; or “ONE”).

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue Resources Limited (“Vision Blue”) to provide a financing package (the “Financing Package”) for total gross proceeds of USD\$29.5M. The proceeds of the Financing Package will be used to complete construction of Phase 1 of the Company’s Molo Graphite Mine. The Financing Package consisted of an initial private placement of \$6.0 million that was completed on March 15, 2021, a second private placement for \$12.5 million that was completed on May 19, 2021, and a royalty

financing agreement that was completed on June 28, 2021, when the Company received an initial \$8.0 million and will receive another \$3.0 million once it has reached 80% of capital expenditures related to the construction of the Molo Graphite Mine. Vision Blue was granted a right of first refusal to finance the Phase 2 expansion of the Molo Graphite Mine.

On March 29, 2021, the Company announced the initiation of the construction process for the Molo Graphite Mine with the awarding of the engineering, procurement, and construction management contract.

On May 11, 2021, the Company announced it initiated the procurement of processing plant equipment, which will be assembled offshore and then shipped to Madagascar in late 2021.

As of June 30, 2021, the Company believes that construction can be completed within 12 months and that commercial production could be declared on or around June 30, 2022, and as such recognized a provision of \$708,514 based on the present value of the Commercial Production Fee using a 13.8% discount rate. The provision was capitalized as mining property under property, plant and equipment.

Mineral Exploration and Other Properties

12 Months Ended
Jun. 30, 2021

6. Mineral Exploration and Other Properties

6. Mineral Exploration and Other Properties

As of June 30, 2021, the Company has not capitalized any acquisition, exploration and development costs for its exploration properties.

Green Giant Vanadium Project, Southern Madagascar Region, Madagascar

In 2007, the Company entered into a joint venture agreement with Madagascar Minerals and Resources SARL (“MMR”) to acquire a 75% interest in the Green Giant property. Pursuant to the agreement, the Company paid \$765,000 in cash, issued 250,000 common shares and issued 100,000 common share purchase warrants, which have now expired.

On July 9, 2009, the Company acquired the remaining 25% interest by paying \$100,000. MMR retains a 2% NSR. The first 1% NSR can be acquired at the Company’s option by paying \$500,000 in cash or common shares and the second 1% NSR can be acquired at the Company’s option by paying \$1,000,000 in cash or common shares.

The Green Giant property is located within exploration permits issued by the BCMM pursuant to the Mining Code 1999 (as amended) and its implementing decrees. The Green Giant property exploration permits are currently held under the name of our Madagascar subsidiary, which has paid all taxes and administrative fees to the Madagascar government and its mining ministry with respect to all the mining permits held in country. These taxes and administrative fee payments have been acknowledged and accepted by the Madagascar government.

Since early 2012, the Company has focused its efforts on the Molo Graphite Project and as such only limited work has been completed on the Green Giant Vanadium Project since that time.

As part of Financing Package announced on February 8, 2021, Vision Blue will receive a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide (“V₂O₅”) from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅.

Sagar Project, Labrador Trough Region, Quebec, Canada

In 2006, the Company purchased from Virginia Mines Inc. (“Virginia”) a 100% interest in 369 claims located in northern Quebec, Canada. Virginia retains a 2% net smelter royalty (“NSR”) on certain claims within the property. Other unrelated parties also retain a 1% NSR and a 0.5% NSR on certain claims within the property, of which half of the 1% NSR can be acquired by the Company by paying \$200,000 and half of the 0.5% NSR can be acquired by the Company by paying \$100,000.

Since early 2012, the Company has focused its efforts on the Molo Graphite Project and as such only minimal work has been completed on the Sagar Property since that time.

As of June 30, 2021, the Sagar property consisted of 184 claims covering a total area of 8,539.58 ha.

**Property Plant and
Equipment**

**12 Months Ended
Jun. 30, 2021**

7. Property, Plant and
Equipment

7. Property, Plant and Equipment

	Mining Property	Assets Under Construction	Right of Use Assets	Equipment	Total
	\$	\$	\$	\$	\$
As at June 30, 2019	-	-	-	-	-
Adoption of IFRS 16	-	-	24,164	-	24,164
Disposals	-	-	-	-	-
Amortization	-	-	(6,053)	-	(6,053)
As at June 30, 2020	-	-	18,111	-	18,111
Additions	708,514	3,611,890	-	5,238	4,325,642
Disposals	-	-	-	-	-
Amortization	-	-	(6,037)	(555)	(6,592)
As at June 30, 2021	<u>708,514</u>	<u>3,611,890</u>	<u>12,074</u>	<u>4,683</u>	<u>4,337,161</u>
Carrying value as at June 30, 2020					
Cost	-	-	24,164	-	24,164
Accumulated amortization	-	-	(6,053)	-	(6,053)
Total	-	-	18,111	-	18,111
Carrying value as at June 30, 2021					
Cost	708,514	3,611,890	24,165	5,238	4,349,807
Accumulated amortization	-	-	(12,091)	(555)	(12,646)
Total	<u>708,514</u>	<u>3,611,890</u>	<u>12,074</u>	<u>4,683</u>	<u>4,337,161</u>

On March 29, 2021, upon obtaining approval to initiate mine construction from the Board, the Company began capitalizing development costs related to the Molo Graphite Mine. As of June 30, 2021, the Company capitalized \$708,514 (2020: \$nil) related to the commercial production fee (see notes 5 and 12) as mining property and \$3,611,890 (2020: \$nil) related to construction of the processing plant as assets under construction.

Upon the Company's adoption of IFRS 16 on July 1, 2019, the Company recognized \$24,164 for right-of-use assets related to the long-term lease for the exploration camp in Fotadrevo, Madagascar. As of June 30, 2021, the exploration camp lease had a remaining term of 24 months.

The Company owns exploration and evaluation equipment and several vehicles located in Madagascar that were previously used for exploration purposes that no longer have any carrying values. The Company owns and operates a permitted landing strip near Fotadrevo, Madagascar that no longer has any carrying value.

Geographic information is disclosed under the segmented reporting in note 16.

Short-Term Debt

**12 Months Ended
Jun. 30, 2021**

8. Short-Term Debt

8. Short-Term Debt

The Company has a Canada Emergency Business Account (CEBA), which is not subject to an interest rate until after December 31, 2022 and has loan forgiveness provisions whereby 25% of the loan principal will be forgiven if 75% of the loan principal is repaid prior to December 31, 2022.

As of June 30, 2021, the Company had previously withdrawn CAD \$40,000 and repaid CAD \$30,000 of loan principal. The Company has therefore recognized the loan forgiveness of CAD\$10,000 resulting in a short-term debt carrying balance on June 30, 2021 of \$Nil (June 30, 2020: \$22,115).

Lease obligations

12 Months Ended
Jun. 30, 2021

[9. Lease obligations](#)

9. Lease obligations

The Company is party to several contracts that contain a lease, most of which include office facilities and exploration camp. Leases of low value assets, short term leases and leases with variable payments proportional to the rate of use of the underlying asset do not give rise to a lease obligation.

Upon the Company's adoption of IFRS 16 on July 1, 2019, the Company recognized \$24,164 of lease obligations for leased right-of-use assets in relation to the long-term lease for the exploration camp in Fotadrevo, Madagascar. As of June 30, 2021, the exploration camp lease had a remaining term of 24 months.

The following table sets out the carrying amounts of lease obligations for right-of-use assets that are included in the consolidated statement of financial position and the movements between the reporting periods:

	Lease Obligations \$
Balance as at July 1, 2019	-
Adoption of IFRS 16	24,164
Lease payments	(4,810)
Foreign exchange adjustments	(3,336)
Balance as at June 30, 2020	16,018
Additions	-
Lease payments	(6,367)
Finance costs	1,317
Foreign exchange adjustments	131
Balance as at June 30, 2021	11,099

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

	Lease Obligations \$
Current portion of lease obligations	5,845
Long-term lease obligations	5,254
Balance as at June 30, 2021	11,099

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

	Lease Obligations \$
Within 12 months	6,019
Between 13 and 24 months	6,019
Total undiscounted lease obligations	12,038

Short-term leases

During the year ended June 30, 2021, the Company recognized rent expense relating to short-term office leases of \$19,857 (2020: \$19,111) in the consolidated statements of operations and comprehensive loss.

Royalty obligation

**12 Months Ended
Jun. 30, 2021**

10. Royalty obligation

10. Royalty obligation

On February 8, 2021, the Company announced that it entered into a binding agreement with Vision Blue Resources (“Vision Blue”), a private investment company created and led by Sir Mick Davis, who subsequently was appointed as Chair of the Board of Directors of the Company, to provide a financing package (the “Financing Package”) for total gross proceeds of USD\$29.5M consisting of private placements and a royalty financing agreement. As part of the royalty financing agreement:

- On June 28, 2021, the Company received \$8.0 million, less a US\$1.5 million royalty financing fee. The Company will receive a further \$3.0 million upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021.
- The Company will pay to Vision Blue the greater of: (i) US\$1.65 million per annum or (ii) 3% of the gross revenues from SuperFlake® concentrate sales (the “GSR”). Once Vision Blue has received a cumulative royalty payment of US\$16.5 million, the GSR will be calculated as 3% of the gross revenues from the Company’s SuperFlake® sales. NextSource will have the option at any time to reduce the GSR to 2.25% upon payment to Vision Blue of US\$20 million. The Company may delay the first-year minimum repayments, which will become subject to accrued interest of 15% per annum.
- Vision Blue will receive a royalty of 1.0% of the gross revenues from sales of vanadium pentoxide (“V₂O₅”) from the Green Giant Vanadium Project for a period of 15 years following commencement of production of V₂O₅.

On June 30, 2021, the Company recognized a royalty obligation at its fair value of \$6.5 million, which is equal to the present value of the \$3.0 million that will be received upon achieving 80% of capital expenditures, minimum royalty payments, accrued interest on minimum royalty payment deferrals and the perpetual 3% royalty using an effective discount rate of 13.8%, which was determined at recognition by calculating the IRR of the of the \$3.0 million that will be received upon achieving 80% of capital expenditures, minimum royalty payments, accrued interest on minimum royalty payment deferrals and the perpetual 3% royalty. The royalty obligation will be remeasured at each reporting period based on the revised expected future payments at the original effective discount rate under the amortized cost method. During the year ended June 30, 2021, accretion expense on the royalty obligation recognized in the consolidated statements of loss and comprehensive loss was \$Nil (2020: \$Nil).

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

	Obligation
	\$
Within 12 months	-
Between 13 and 24 months	948,750
Between 25 and 36 months	1,897,500
Between 37 and 48 months	1,897,500
Between 49 and 60 months	1,897,500
Thereafter	12,333,750
Total undiscounted minimum payments and interest	18,975,000

The \$1.5 million financing fee and \$169,279 in legal fees related to the royalty agreement were netted against the carrying value of the royalty obligation, which will be recognized over the term of the minimum payment period.

**Warrant Derivative
Liabilities**

**11. Warrant Derivative
Liabilities**

**12 Months Ended
Jun. 30, 2021**

11. Warrant Derivative Liabilities

The following warrants were issued in a currency other than the Company's functional currency and therefore are considered a derivative financial liability settled through profit and loss as per IFRS 9 *Financial Instruments*. The fair value of the warrants was measured as a financial liability using the Black-Scholes option valuation model on the issue date and will be remeasured at each reporting period through profit and loss until expiration or the exercise of the warrants.

	Warrant Liability \$
Balance as at June 30, 2019	334,618
Recognition of derivative liability	261,090
Change in fair value through profit and loss	(386,940)
Reclassification to equity on exercise of warrants	-
Balance as at June 30, 2020	208,768
Recognition of derivative liability	56,216,388
Change in fair value through profit and loss	(6,808,106)
Reclassification to equity on exercise of warrants	(4,236,117)
Balance as at June 30, 2021	<u>45,380,933</u>

Warrants expiring August 17, 2020

The fair value of the warrant liability was estimated using the following model inputs on the following valuation dates:

Warrants Expiring August 17, 2020	Warrant Liability \$
	(CAD \$0.90)
	USD
Share price on measurement date	\$0.68
	(CAD \$1.00)
	USD
Exercise price	\$0.76
Risk free rate	1.50%
Expected volatility	115%
Expected dividend yield	Nil
Expected life (in years)	2.00
As of August 17, 2018 (issue date)	408,150
Change in fair value through profit and loss	(73,532)
Reclassification to equity on exercise of warrants	-
Share price on measurement date	(CAD \$1.00)
	USD
	\$0.76
Exercise price	(CAD \$1.00)
	USD
	\$0.76

Risk free rate	1.67%
Expected volatility	100%
Expected dividend yield	Nil
Expected life (in years)	1.13
As of June 30, 2019	334,618
Change in fair value through profit and loss	(327,537)
Reclassification to equity on exercise of warrants	-
Share price on measurement date	(CAD \$0.40) USD \$0.29
Exercise price	(CAD \$100) USD \$0.73
Risk free rate	0.20%
Expected volatility	162%
Expected dividend yield	Nil
Expected life (in years)	0.13
As of June 30, 2020	7,081
Change in fair value through profit and loss	(7,081)
As of August 17, 2020 (expiration)	-

11. Warrant Derivative Liabilities (continued)

Warrants expiring October 25, 2021

The fair value of the warrant liability was estimated using the following model inputs on the following valuation dates:

	Warrant Liability
	\$
	(CAD \$0.50) USD
Share price on measurement date	\$0.38
	(CAD \$0.90) USD
Exercise price	\$0.69
Risk free rate	1.66%
Expected volatility	115%
Expected dividend yield	Nil
Expected life (in years)	2.00
As of October 25, 2019 (issue date)	261,090
Change in fair value through profit and loss	(59,403)
Reclassification to equity on exercise of warrants	-
Share price on measurement date	(CAD \$0.40) USD \$0.29
Exercise price	(CAD \$0.90) USD \$0.64
Risk free rate	0.25%
Expected volatility	156%
Expected dividend yield	Nil
Expected life (in years)	1.32

As of June 30, 2020		201,687
Change in fair value through profit and loss		2,278,285
Reclassification to equity on exercise of warrants		(1,373,246)
Share price on measurement date	(CAD \$2.64) USD \$2.13	
Exercise price	(CAD \$0.90) USD \$0.73	
Risk free rate		0.15%
Expected volatility		81%
Expected dividend yield		Nil
Expected life (in years)		0.32
As of June 30, 2021		<u>1,106,726</u>

Warrants expiring July 2, 2022

The fair value of the warrant liability was estimated using the following model inputs on the following valuation dates:

Warrants Expiring July 2, 2022	Warrant Liability
	\$
	(CAD \$0.40) USD \$0.29
Share price on measurement date	
	(CAD \$0.65) USD\$0.48
Exercise price	
Risk free rate	0.25%
Expected volatility	112%
Expected dividend yield	Nil
Expected life (in years)	2.00
As of July 2, 2020 (issue date)	<u>421,861</u>
Change in fair value through profit and loss	5,773,919
Reclassification to equity on exercise of warrants	(2,862,871)
Share price on measurement date	(CAD \$2.64) USD \$2.13
Exercise price	(CAD \$0.65) USD \$0.52
Risk free rate	0.23%
Expected volatility	190%
Expected dividend yield	Nil
Expected life (in years)	1.01
As of June 30, 2021	<u>3,332,909</u>

The initial fair value of \$421,861 for warrants granted on July 2, 2020 consisted of \$421,861 that was reclassified from equity to warrant liability.

11. Warrant Derivative Liabilities (continued)

Warrants expiring May 19, 2023

The fair value of the warrant liability was estimated using the following model inputs on the following valuation dates:

Warrants Expiring May 19, 2023	Warrant Liability \$
	(CAD
	\$3.40)
	USD
Share price on measurement date	\$2.81
	(CAD
	\$1.00)
Exercise price	USD\$0.83
Risk free rate	0.33%
Expected volatility	148%
Expected dividend yield	Nil
Expected life (in years)	2.00
As of May 19, 2021 (issue date)	55,794,527
Change in fair value through profit and loss	(14,853,229)
Reclassification to equity on exercise of warrants	-
Share price on measurement date	(CAD
	\$2.64)
	USD
	\$2.13
Exercise price	(CAD
	\$1.00)
	USD
	\$0.81
Risk free rate	0.45%
Expected volatility	152%
Expected dividend yield	Nil
Expected life (in years)	1.89
As of June 30, 2021	40,941,298

The initial fair value of \$55,794,527 for the warrants issued on May 19, 2021 consisted of \$12,500,000 that was reclassified from equity to warrant liability and \$43,294,527 that was recognized through profit and loss.

Provisions

12. Provisions

12. Provisions

Commercial production

On April 16, 2014, the Company signed a Sale and Purchase Agreement and a Mineral Rights Agreement (together “the Agreements”) with Malagasy to acquire the remaining 25% interest in the Molo Graphite Property. Pursuant to the Agreements, a further cash payment of approximately \$806,200 (CAD\$1,000,000) will be due within five days of the commencement of commercial production (“Commercial Production Fee”).

As of June 30, 2021, the Company believes that construction can be completed within 12 months and that commercial production could be declared on or around June 30, 2022, and as such recognized a provision of \$708,514 based on the present value of the Commercial Production Fee using a 13.8% discount rate. The Commercial Production Fee provision was capitalized as mining property under property, plant and equipment.

Flow-through

During fiscal 2014, the Company issued 17,889,215 flow-through shares to eligible Canadian taxpayer subscribers which included a contractual commitment for the Company to incur \$3,812,642 in eligible Canadian Exploration Expenditures (“CEEs”) by December 31, 2014 as per the provisions of the Income Tax Act of Canada. The CEEs were renounced as a tax credit to the flow-through share subscribers on December 31, 2013. As at December 31, 2014, the Company had unfulfilled CEE obligations. During the year ended June 30, 2015, the Company recorded a provision for the Part XII.6 taxes and related penalties payable to the Canada Revenue Agency and for the indemnification liability to subscribers of the flow-through shares for the additional taxes payable related to the CEE renunciation shortfall. During the year ended June 30, 2017, the Company paid \$131,320 in Part XII.6 taxes, resulting in a reduction in the provision, and following a reassessment of its obligation to subscribers the Company increased the provision by \$131,320. During the year ended June 30, 2018, the provision was adjusted due to foreign exchange fluctuations to \$180,652. During the year ended June 30, 2019, there were \$Nil adjustments to the provision balance. During the year ended June 30, 2020, the provision was adjusted due to foreign exchange fluctuations to \$174,418. During the year ended June 30, 2021, based on the limited amount of completed settlements the Company revised the provision downward to \$29,508.

Share Capital

12 Months Ended Jun. 30, 2021

13. Share Capital

13. Share Capital

The Company's common shares have no par value and the authorized share capital is composed of an unlimited number of common shares. On May 20, 2021, the Company gave effect to a 1 for 10 consolidation of its common shares and all outstanding warrants, stock options and restricted share units. All of the per share amounts in these consolidated financial statements have been restated to give effect to the share consolidation on a retroactive basis.

As of June 30, 2021, the Company had 98,184,260 common shares issued and outstanding (June 30, 2020: 53,649,481).

The following changes to the issued and outstanding common shares occurred during the year ended June 30, 2021:

- (a) On July 2, 2020, the Company completed a non-brokered private placement of 6,157,887 units at a price of \$0.24 (CAD\$0.325) per unit for gross proceeds of \$1,476,571 (CAD\$2,001,310). Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.48 (CAD\$0.65) per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$9,293 in share issuance costs.
- (b) On December 22, 2020, a total of 72,174 stock options priced at \$0.56 were exercised into 72,174 common shares for gross proceeds of \$40,418.
- (c) On February 9, 2021, a total of 147,000 stock options priced at \$0.66 were exercised into 147,000 common shares for gross proceeds of \$97,054.
- (d) On February 12, 2021, a total of 55,000 warrants priced at CAD\$0.90 and 15,385 warrants at a price of CAD\$0.65 were exercised into 70,385 common shares for gross proceeds of \$46,760.
- (e) On February 19, 2021, a total of 22,223 stock options priced at CAD\$0.90 were exercised into 22,223 common shares for gross proceeds of \$15,857 and a total of 517,443 RSUs that vested on February 7, 2021 were converted into common shares for no additional consideration.
- (f) On February 23, 2021, a total of 73,000 stock options priced at \$0.66 were exercised into 73,000 common shares for gross proceeds of \$48,439.
- (g) On February 26, 2021, a total of 111,112 warrants priced at CAD\$0.90 were exercised into 111,112 common shares for gross proceeds of \$79,172.
- (h) On March 4, 2021, a total of 50,000 warrants priced at CAD\$0.65 were exercised into 50,000 common shares for gross proceeds of \$25,681.
- (i) On March 8, 2021, a total of 290,000 stock options priced at CAD\$1.00 and 220,000 stock options priced at \$0.66 were exercised into 510,000 common shares for gross proceeds of \$374,494.
- (j) On March 15, 2021, the Company completed a non-brokered private placement of 12,000,000 common shares at a price of CAD\$0.65 per share for total gross proceeds of \$6,000,000 (CAD\$7,800,000). In connection with the non-brokered private placement, the Company incurred \$16,367 in share issuance costs.

- (k) On April 12, 2021, a total of 361,500 warrants priced at CAD\$0.65 and 55,555 warrants priced at CAD\$0.90 were exercised into 417,055 common shares for gross proceeds of \$226,506.
- (l) On May 19, 2021, the Company completed a non-brokered private placement of 23,214,286 units at a price of CAD\$0.65 per unit for total gross proceeds of \$12,500,000 (CAD\$15,089,286). Each unit consisted of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$1.00 per share for a period of 24 months. No finder fees or commissions were paid in association with the private placement. In connection with the non-brokered private placement, the Company incurred \$87,788 in share issuance costs.
- (m) On May 25, 2021, a total of 750,000 warrants priced at CAD\$0.65 were exercised into 750,000 common shares for gross proceeds of \$403,705.
- (n) On June 7, 2021, a total of 200,000 warrants priced at CAD\$0.90 were exercised into 200,000 common shares for gross proceeds of \$148,518.
- (o) On June 23, 2021, a total of 222,223 warrants priced at CAD\$0.90 were exercised into 222,223 common shares for gross proceeds of \$162,000.

13. Share Capital (continued)

The Company issued the following common shares during the year ended June 30, 2020:

- (a) On October 25, 2019, the Company closed a non-brokered private placement offering of 2,907,777 units at a price of \$0.34 (CAD\$0.45) per unit for aggregate gross proceeds of \$998,620 (CAD\$1,308,500). Each unit consisted of one common share and one-half common share purchase warrant, with each full warrant exercisable into one common share at an exercise price of \$0.70 (CAD\$0.90) for a period of two years. In connection with the non-brokered private placement, the Company incurred \$7,820 in share issuance costs.

Warrants

12 Months Ended Jun. 30, 2021

14. Warrants

14. Warrants

The Company issued common share purchase warrants as part of equity private placements. The fair value of warrants is determined using the Black-Scholes option valuation model based on the market price, the exercise price, compound risk free interest rate, annualized volatility and number of periods until expiration. Depending on the nature of the warrants, the fair value may be classified as equity or as a derivative financial liability settled through profit and loss. Each warrant entitles the holder to purchase one common share of the Company at the respective exercise price prior to or on the respective expiration date.

As of June 30, 2021, the Company had 25,904,122 common share purchase warrants outstanding (June 30, 2020: 2,519,157) with a weighted average expiration of 1.77 years (June 30, 2020: 0.82 years), which are exercisable into 25,904,122 (June 30, 2020: 2,519,157) common shares at a weighted average exercise price of USD\$0.78 (June 30, 2020: USD\$0.70). All outstanding warrants vested on their respective issue dates.

Issued Date	Expiration Date	Exercise Price	Balance on June 30, 2020	Issued (Expired)	Exercised	Balance on June 30, 2021
August 17, 2018	August 17, 2020	CAD\$ 1.00	1,065,265	(1,065,265)	-	-
October 25, 2019	October 25, 2021	CAD\$ 0.90	1,453,892	-	(666,112)	787,780
July 2, 2020	July 2, 2022	CAD\$ 0.65	-	3,078,941	(1,176,885)	1,902,056
May 19, 2021	May 19, 2023	1.00	-	23,214,286	-	23,214,286
Totals			2,519,157	25,227,962	(1,842,997)	25,904,122

Issued Date	Expiration Date	Exercise Price	Balance on June 30, 2019	Issued (Expired)	Exercised	Balance on June 30, 2020
August 17, 2018	August 17, 2020	CAD\$ 1.00	1,065,265	-	-	1,065,265
October 25, 2019	October 25, 2021	CAD\$ 0.90	-	1,453,892	-	1,453,892
Totals			1,065,265	1,453,892	-	2,519,157

The following common share purchase warrants were issued during the year ended June 30, 2021:

- (a) On July 2, 2020, the Company completed a non-brokered private placement of 6,157,887 units at a price of \$0.24 (CAD\$0.325) per unit for gross proceeds of \$1,476,571 (CAD\$2,001,310). Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (a "Warrant"), with each full Warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$0.65 (USD\$0.52) per share for a period of 24 months.
- (b) On May 19, 2021, the Company completed a non-brokered private placement of 23,214,286 units at a price of CAD\$0.65 per unit for total gross proceeds of \$12,500,000 (CAD\$15,089,286). Each unit consisted of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to acquire one

additional common share of the Company at a price of CAD\$1.00 (USD\$0.80) per share for a period of 24 months.

The following common share purchase warrants were issued during the year ended June 30, 2020:

- (a) On October 25, 2019, the Company completed a non-brokered private placement of 2,907,777 units at a price of CAD\$0.45 per unit for total gross proceeds of \$998,620 (CAD\$1,308,500). Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of CAD\$0.90 (USD\$0.70) per share for a period of two years.

Long term incentive plan

**12 Months Ended
Jun. 30, 2021**

[15. Long term incentive plan](#)

15. Long term incentive plan

The Company's long term incentive plan (the "LTIP plan") is restricted to a maximum of 10% of the issued and outstanding common shares. Under the LTIP plan, the Company may grant securities-based incentives including stock options and restricted share units ("RSUs") to directors, officers, employees, and consultants. The Board of Directors administers the plan and determines the vesting and terms of each grant.

Stock Options

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

As of June 30, 2021, the Company had 2,780,000 stock options outstanding (June 30, 2020: 3,625,001) with a weighted average expiration of 2.15 years (June 30, 2020: 2.28), which are exercisable into 2,780,000 common shares (June 30, 2020: 3,625,001) at a weighted average exercise price of USD\$1.73 (June 30, 2020: USD\$0.67). All the outstanding stock options vested on their respective grant dates.

Grant Date	Vesting Date	Expiration Date	Exercise Price	Balance on June 30, 2020	Granted or Cancelled	Exercised	Balance on June 30, 2021
December 22, 2015	December 22, 2015	December 22, 2020	0.56	630,001	(557,826)	(72,175)	-
June 9, 2017	June 9, 2017	June 9, 2022	USD\$ 0.66	1,810,000	(470,000)	(440,000)	900,000
March 26, 2019	March 26, 2019	March 26, 2024	USD\$ 1.00	1,185,000	(315,000)	(290,000)	580,000
March 19, 2021	March 19, 2021	March 19, 2024	USD\$ 3.60	-	1,300,000	-	1,300,000
Totals				3,625,001	(42,826)	(802,175)	2,780,000

Grant Date	Vesting Date	Expiration Date	Exercise Price	Balance on June 30, 2019	Granted or Cancelled	Exercised	Balance on June 30, 2020
July 3, 2014	July 3, 2014	July 3, 2019	USD\$ 1.50	115,000	(115,000)	-	-
February 26, 2015	February 26, 2015	February 26, 2020	USD\$ 2.00	287,000	(287,000)	-	-
December 22, 2015	December 22, 2015	December 22, 2020	USD\$ 0.56	670,001	(40,000)	-	630,001
June 9, 2017	June 9, 2017	June 9, 2022	USD\$ 0.66	1,810,000	-	-	1,810,000
March 26, 2019	March 26, 2019	March 26, 2024	USD\$ 1.00	1,185,000	-	-	1,185,000
Totals				4,067,001	(442,000)	-	3,625,001

The following stock options were granted during the year ended June 30, 2021:

- (a) On March 19, 2021, the Company granted 1,300,000 stock options exercisable at a price of CAD\$3.60 for a period of three years. The options were valued at \$2,777,404 using the Black-Scholes pricing model based on a risk-free rate of 0.53%, a term of 3 years, volatility of 130% and a market price of \$2.88 (CAD\$3.60). These stock options vested on the grant date.

No stock options were issued during the year ended June 30, 2020.

15. Long term incentive plan (continued)

Restricted share units (RSUs)

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

As of June 30, 2021, the Company had 475,000 RSUs issued and outstanding (June 30, 2020: Nil) with a weighted average expiration of 1.40 years (June 30, 2020: nil) which entitle the holders to receive 475,000 common shares (June 30, 2020: nil) for no additional consideration subject to satisfying the vesting conditions.

Grant Date	Actual / Estimated Vesting Date	Vesting Condition	Expiration Date	Balance on June 30, 2020	Granted (Expired or Cancelled)	Converted	Balance on June 30, 2021
December 29, 2020	February 7, 2021	Financing Milestone	February 19, 2021	-	172,481	(172,481)	-
December 29, 2020	February 7, 2021	Financing Milestone	August 19, 2022	-	172,481	(172,481)	-
December 29, 2020	February 7, 2021	Financing Milestone	February 19, 2022	-	172,481	(172,481)	-
March 19, 2021	December 31, 2022	Employment	June 30, 2023	-	200,000		200,000
March 19, 2021	June 30, 2022	Plant Commissioning	December 31, 2022	-	100,000		100,000
March 19, 2021	June 30, 2022	Offtake Agreement	December 31, 2022	-	25,000		25,000
March 19, 2021	May 17, 2021	Financing Milestone	December 31, 2021	-	150,000		150,000
Totals				-	992,443	(517,443)	475,000

The following changes to the issued and outstanding RSUs occurred during the year ended June 30, 2021:

- (a) On December 29, 2020, the shareholders approved a resolution approving the new LTIP Plan and the granting of 517,443 RSUs. The RSUs have variable vesting dates whereby the holders will receive 517,443 common shares subject to the vesting condition of achieving project financing milestones related to the Molo Graphite Project whereby 33.33% was set to expire on each of Feb 16, 2021, August 16, 2021, and Feb 16, 2022. The fair value was estimated at \$364,852 based on a grant-date market price of CAD\$0.90 (USD\$0.71), which was fully expensed when these RSUs vested on February 7, 2021.
- (b) On March 19, 2021, the Company granted the following RSUs:
- a. 200,000 RSUs expiring on June 30, 2023, whereby the holders will receive 200,000 common shares subject to the vesting condition of being employees or consultants of the Company on December 31, 2022. The grant date fair value was estimated at \$575,352

based on a grant-date market price of \$2.88 (CAD\$3.60). A total of \$91,430 was expensed during the year ended June 30, 2021.

- b. 100,000 RSUs expiring on June 30, 2023, whereby the holders will receive 100,000 common shares subject to the vesting condition of achieving plant commissioning milestones on or before June 30, 2022. The grant date fair value was estimated at \$287,676 based on a grant-date market price of \$2.88 (CAD\$3.60). A total of \$63,178 was expensed during the year ended June 30, 2021.
- c. 25,000 RSUs expiring on June 30, 2023, whereby the holders will receive 25,000 common shares subject to the vesting condition of achieving offtake agreement milestones on or before June 30, 2022. The grant date fair value was estimated at \$71,919 based on a grant-date market price of \$2.88 (CAD\$3.60). A total of \$15,795 was expensed during the year ended June 30, 2021.
- d. 150,000 RSUs expiring on December 31, 2021, whereby the holders will receive 150,000 common shares subject to the vesting condition of achieving project financing milestones on or about May 17, 2021. The grant date fair value was estimated at \$431,514 based on the grant-date market price of \$2.88 (CAD\$3.60). The RSUs vested on May 17, 2021 and a total of \$431,514 was expensed during the year ended June 30, 2021.

No RSUs were issued during the year ended June 30, 2020.

Segmented Reporting

**12 Months Ended
Jun. 30, 2021**

16. Segmented Reporting

16. Segmented Reporting

The Company has two operating segments, consisting of mine development operations in Madagascar and the exploration and evaluation of mineral resources in Madagascar and Canada. No commercial revenues have ever been generated by any mineral properties. Limited amounts of cash and equipment are currently held in Madagascar and Mauritius. Other than the mining assets under construction, which are currently being assembled overseas and will then be shipped to Madagascar, significantly all of the Company assets are held in Canada. The Company's President and Chief Executive Officer and Chief Financial Officer are the operating decision-makers and direct the allocation of resources to its segments.

The following is the segmented information by operating segments:

	For the year ended June 30, 2021	For the year ended June 30, 2020	For the year ended June 30, 2019
Revenues	\$ -	\$ -	\$ -
Mine development expenses			
Mineral claims (Madagascar)	3,335	93,954	81,969
Payroll and benefits	-	-	13,490
Engineering and metallurgical (Canada, South Africa)	38,598	64,850	171,210
Consulting fees (Madagascar)	265,635	-	686,212
Travel	16,100	20,452	12,587
Commercial production success fee	-	-	-
Total mine development expenses	323,668	179,256	965,468
Exploration and evaluation expenses			
Mineral claims (Canada)	15,335	6,623	15,469
Mineral claims (Madagascar)	4,449	50,000	39,875
Exploration Camp and Admin (Madagascar)	27,031	9,487	82,582
Total exploration and evaluation expenses	46,815	66,110	137,926
General and administrative expenses			
Payroll and benefits	483,519	436,337	459,553
Consulting Fees	383,841	358,503	368,345
Legal Fees	99,316	29,344	239,366
Professional Fees	155,108	95,397	111,711
Public filing expenses	131,923	72,137	87,093
Travel expenses	23,399	34,004	140,414
Investor relation expenses	31,610	22,993	49,711
Insurance expenses	30,816	22,624	18,315
Rent expenses	19,857	19,111	34,303
Office and admin	37,412	23,637	24,704
Total general and administrative expenses	1,396,801	1,114,087	1,533,515
Share-based compensation	3,744,172	-	651,692
Amortization of plant and equipment	6,592	6,053	-
Finance costs	1,317	-	-
Foreign currency translation (gain) loss	101,252	3,552	(4,565)
Interest (income)	(104)	-	-
Interest expense	273	2,098	-
Royalty Fee	-	-	-
Flow through provision (gain) or loss	(146,814)	-	-
Foreign taxes	92	772	-
Sub-total before other items	5,474,064	1,371,928	3,284,036

Change in value of warrant liability	36,486,420	(386,940)	(73,532)
Government assistance	-	(7,353)	-
Net loss for the year	(41,960,484)	(977,635)	(3,210,504)

16. Segmented Reporting (continued)

The following is the segmented information by geographic region:

As at June 30, 2021	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	22,422,783	1,130	13,173	22,437,086
Amounts receivable	92,344	-	26	92,370
Prepaid expenses	52,428	-	546	52,974
Property, plant and equipment	713,197	-	3,623,964	4,337,161
Total assets	23,280,752	1,130	3,637,709	26,919,591
As at June 30, 2020	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	208,251	-	14,054	222,305
Amounts receivable	7,513	-	26	7,539
Prepaid expenses	25,299	-	185	25,484
Property, plant and equipment	-	-	18,111	18,111
Total assets	241,063	-	32,376	273,439

Related Party Transactions

12 Months Ended
Jun. 30, 2021

Related Party Transactions

17. Related Party Transactions 17. 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. Other related parties include companies controlled by key management personnel. Related parties include key management, which consists of the Board of Directors, Chief Executive Officer, Chief Financial Officer, and the Senior Vice Presidents of the Company.

A transaction is considered a related party transaction when there is a transfer of economic resources or financial obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the fair value. Balances and transactions between the Company and its wholly owned subsidiaries, which are related parties of the Company, have been eliminated and are not disclosed in this note.

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

	Year ended June 30, 2021	Year ended June 30, 2020	Year ended June 30, 2019
Payroll and benefits	\$ 448,984	\$381,777	\$ 439,175
Consulting fees	341,541	331,682	335,045
Professional fees	35,946	-	-
Share-based compensation	3,744,172	-	640,692
Total	<u>\$4,570,643</u>	<u>\$713,459</u>	<u>\$1,414,912</u>

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

	As of June 30, 2021	As of June 30, 2020
Amounts receivable from key management	\$ 17,007	\$ -
Prepaid expenses to companies controlled by key management	\$ 6,949	\$ 3,178
Accounts payable due to companies controlled by key management	\$ -	\$ 86,685
Accrued liabilities due to key management	\$ 64,503	\$ 54,727

Capital Management

**12 Months Ended
Jun. 30, 2021**

18. Capital Management

18. Capital Management

There were no changes in the Company's approach to capital management during the year ended June 30, 2021.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while working to obtain additional funding to meet its obligations as they come due. The Company's operations to date have been funded by issuing equity and a royalty financing agreement. The Company expects to continue to improve the working capital position by securing additional financing.

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

The Company's mineral property interests are all in the exploration, development, and construction stage. The Company has yet to generate any revenue from mining operations. As such the Company is dependent on obtaining external financing to fund exploration and evaluation, development, construction and operating expenditures. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and adjusts in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company's capital structure may involve the issuance of new shares, assumption of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements.

Working Capital Balance

As of June 30, 2021, the Company had a working capital deficit of \$24,147,490 (June 30, 2020: deficit of \$918,048). Excluding the \$45,380,933 warrant derivative liabilities, which are expected to be settled through the issuance of common shares upon the exercise or expiration of the underlying common share purchase warrants, the Company had a working capital surplus of \$21,233,443 (June 30, 2020: deficit of \$709,280). Although the Company has a working capital surplus excluding the warrant derivative liabilities, the working capital surplus is expected to be utilized in the construction of the Molo Graphite Mine, commissioning of the processing plant, exploration and evaluation activities, development of value-added processing facilities, and general and administrative expenditures.

Financial Instruments and Risk Management

12 Months Ended
Jun. 30, 2021

19. Financial Instruments and Risk Management

19. Financial Instruments and Risk Management

The following disclosures are to enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting period:

Liquidity risk and capital resource analysis

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. 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.

None of the Company's obligations have contractual maturities over the next 12 months. Accounts payable and accrued liabilities are generally due within 30 days. The warrant liabilities are expected to be settled through the issuance of common shares upon the exercise or expiration of the underlying common share purchase warrants. The royalty obligations are expected to be settled through minimum repayments starting in fiscal 2023 that will be funded through operating cash flows.

As of June 30, 2021, the Company had cash and cash equivalents of \$22,437,086 (June 30, 2020: \$222,305) to settle current liabilities of \$46,729,920 (June 30, 2020: \$1,173,376). Excluding the \$45,380,933 warrant derivative liabilities, which are expected to be settled through the issuance of common shares upon the exercise or expiration of the underlying common share purchase warrants, the Company had current liabilities of \$1,348,987 (June 30, 2020: \$964,608). Although the Company is not currently exposed to liquidity risk, a significant portion of the surplus cash is expected to be utilized to complete construction of the mine and to fund mine working capital and general and administrative expenditures over the next 12 months.

19. Financial Instruments and Risk Management (continued)

As of June 30, 2021, the remaining Molo Graphite Mine construction costs were estimated at approximately \$18.4 million, mine working capital requirements were estimated at approximately \$1.3 million, and general and administrative expenditures until the completion of construction were estimated at \$3.0 million. As part of the royalty financing agreement, the Company will receive a further \$3.0 million from Vision Blue upon achieving 80% of capital expenditures related to the construction of the mine, which is expected to be reached on or around December 31, 2021. The Company expects to receive additional funding from the exercise of in-the-money warrants that are due to expire in October 2021 and July 2022. As a result, the Company believes its capital resources will be sufficient to complete construction of the mine and to fund mine working capital and general and administrative expenditures over the next 12 months. Should unexpected financial circumstances arise in the future, the Company may choose to decrease certain discretionary expenditures.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available. Based on management's assessment of its past ability to obtain required funding, the Company believes that it will be able to satisfy its current and long-term obligations as they come due.

Credit risk

The Company does not currently have commercial customers and therefore does not have any credit risk related to amounts receivables. 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 financial institutions.

Market risks

Market risk is the potential for financial loss from adverse changes in underlying market factors, including foreign exchange rates, commodity prices and interest rates.

- **Interest rate risk:** This is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that are subject to variable interest rates.
- **Commodity price risks:** This is the sensitivity of the fair value of, or of the future cash flows, from mineral assets. The Company manages this risk by monitoring mineral prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets. The Company does not have any mineral assets at the development or production stage carried at historical cost. The Company has expensed the acquisition and exploration costs of its exploration stage mineral assets.
- **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 Euro and the South African Rand. The Company purchases services and has certain salary commitments in those 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 since it has not made any commitments to deliver products quoted in foreign currencies. The Company is not sensitive to foreign exchange risk arising from the translation of the financial statements of subsidiaries with a functional currency other than the US dollar since it does not have any material assets and liabilities measured through other comprehensive income. As of June 30, 2021, the Company estimated that a 10% decrease of the USD versus foreign exchange rates would result in a gain of \$1,463 (2020: loss of \$66,259).

	June 30, 2021	June 30, 2019
Cash and cash equivalents (CAD)	\$1,011,996	\$ 130,414
Cash and cash equivalents (MGA)	1,698	\$ 4,003
Amounts receivable (CAD)	73,707	7,513
Amounts receivable (MGA)	26	26
Accounts payable and accrued liabilities (CAD)	(137,329)	(383,006)
Accounts payable and accrued liabilities (MGA)	(30,574)	(1,061)
Accounts payable and accrued liabilities (EUR)	(166,869)	(177,654)
Provisions (CAD)	(738,022)	(242,829)
Net foreign exchange exposure in USD	<u>\$ 14,633</u>	<u>(662,594)</u>
Impact of 10% change in foreign exchange rates	<u>\$ 1,463</u>	<u>(66,259)</u>

Income Taxes

12 Months Ended Jun. 30, 2021

21. Income Tax

20. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 - 26.5%) to the effective tax rate is as follows:

	As at June 30, 2021	As at June 30, 2020
Net loss for the year	\$(41,960,484)	\$(977,635)
Statutory rate	26.5%	26.5%
Expected income tax recovery	(11,119,530)	(259,073)
Other adjustments	63,830	22,553
Non-deductible expenses	-	(102,150)
Share cost of issue booked to equity	(30,060)	(2,070)
Share based compensation	992,210	
Change in value of warrant liability	9,668,900	
Utilization of losses not previously recognized	-	-
Change in tax benefits not recognized	424,650	340,740
Income tax (recovery)	\$ -	\$ -

Deferred Tax

The following table summarizes the components of deferred tax:

	As at June 30, 2021	As at June 30, 2020
Deferred tax assets		
Royalty obligation	\$ 318,060	\$ -
Share cost of issue	387,770	-
Operating tax losses carried forward	54,590	-
Subtotal of deferred tax assets	760,420	-
Deferred tax liabilities		
Royalty receivable	760,420	-
Subtotal of deferred tax liabilities	760,420	-
Net deferred tax asset (liability)	\$ -	\$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized Deferred Tax Assets

Deferred taxes are provided because of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at June 30, 2021	As at June 30, 2020
Canadian operating tax losses carry-forward	\$25,041,650	\$23,419,560

Capital losses carry-forward	53,000	53,000
Non-Canadian losses	1,465,890	1,316,520
Property, plant and equipment	188,560	188,980
Share cost of issue	-	128,300
Canadian exploration and development tax pools	3,754,990	4,198,270
Unrecognized deferred tax assets	<u>\$30,504,090</u>	<u>\$29,304,630</u>

20. Income Taxes (continued)

The Canadian operating tax losses carry-forward will expire as noted in the table below. The capital losses carry forward may be carried forward indefinitely but can only be used to reduce capital gains. Non-Canadian losses will expire in 2025. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

	As at June 30, 2021
2027	627,560
2028	808,270
2029	817,410
2030	1,382,860
2031	1,948,650
2032	2,491,120
2033	2,077,470
2034	2,528,580
2035	2,013,770
2036	1,448,930
2037	1,837,300
2038	2,104,660
2039	1,777,140
2040	1,349,840
2041	<u>1,828,090</u>
Canadian operating tax losses carry-forward	<u>25,041,650</u>

Although NextSource redomiciled into Canada on December 27, 2017, the Company is treated as a United States corporation for United States federal income tax purposes and is subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, NextSource is treated as a Canadian resident company for Canadian income tax purposes. As a result, NextSource is subject to taxation both in Canada and the United States.

Subsequent events

**12 Months Ended
Jun. 30, 2021**

[21. Subsequent events](#)

21. Subsequent events

On September 23, 2021, a total of 211,112 warrants priced at CAD\$0.90 were exercised into 211,112 common shares for gross proceeds of \$150,100.

Significant Accounting Policies (Policies)

**12 Months Ended
Jun. 30, 2021**

Foreign currencies

The presentation and functional currency of the Company is the US dollar.

The Company has primarily expended its cash on international exploration projects and historically generated its equity funding in US dollars. The Company expects to sell graphite priced in US dollars once the Molo Graphite Mine achieves production. The Company office is located in Canada and the Company expends a portion of its payroll, professional and general and administrative costs in Canadian dollars, which are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used. The Company functional currency of the Mauritius subsidiaries is the United States dollar. The functional currency of the Madagascar subsidiaries is the Madagascar Ariary. Transfers of cash from the Company to its subsidiaries is typically completed using US dollars. All Ariary transactions are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used.

For the purpose of presenting consolidated financial statements, subsidiary company assets and liabilities are expressed in United States dollars using the prevailing exchange rates at the end of the reporting period. Any exchange differences that arise are recognized in other comprehensive income and cumulative translation adjustment in equity.

At the end of each reporting period, the Company translates foreign currency balances as follows:

- monetary items are translated at the closing rate in effect at the consolidated statement of financial position;
- non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured; and
- revenue and expense items are translated using the average exchange rate during the period.

The intercompany loans made to the subsidiary companies are considered part of the parent company's net investment in a foreign operation as the Company does not plan to settle these balances in the foreseeable future. As a result of this assessment, the unrealized foreign exchange gains and losses on the intercompany loans are recorded through comprehensive loss. If the Company determined that settlement of these amounts was planned or likely in the foreseeable future, the resultant foreign exchange gains and losses would be recorded through profit or loss.

Cash equivalents

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial liabilities are derecognized when the obligation under the liability is extinguished, discharged, cancelled or expired. Gains and losses on derecognition of financial assets and financial liabilities are recognized within financing income and financing expense, respectively.

Management determines the classification of financial assets and financial liabilities at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and/or management's intent. Transaction costs with respect to instruments not classified as fair value through profit or loss are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

The Company's financial instruments were classified in the following categories:

Financial assets measured at fair value through profit or loss (FVTPL):

An instrument is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. A financial asset is classified as fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so, designated by management. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Financial instruments included in this category are initially recognized at fair value and transaction costs are taken directly to earnings along with gains and losses arising from changes in fair value. All changes in their fair value are recorded through profit or loss.

The following financial assets are measured at fair value through profit or loss:

- Cash and cash equivalents

Financial assets measured at amortized cost:

Financial assets measured at amortized cost are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost. Interest revenue on advances and loans receivable are recognized using the effective interest method.

The following financial assets are measured at amortized cost:

- Amounts receivable (excluding sales taxes)

Impairment of financial assets measured at amortized costs:

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence that the estimated future cash flows of the financial asset or the group of financial assets have been negatively impacted. Evidence of impairment may include indications that debtors are experiencing financial difficulty, default or delinquency in interest or principal payments, or other observable data which indicates that there is a measurable decrease in the estimated future cash flows.

If an impairment loss has occurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in financing expense. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of financing income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If an impairment is later recovered, the recovery is credited to financing income.

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets. Credit losses are defined as the difference between all the contractual

cash flows that are due to an entity and the cash flows that it expects to receive. This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets). Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk, whereby ‘12-month expected credit losses’ are recognized (‘Stage 1’)
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low, whereby ‘lifetime expected credit losses’ are recognized (‘Stage 2’)
- financial assets that have objective evidence of impairment at the reporting date, whereby the asset is written off as there is no reasonable expectation of recovering all or any portion thereof (‘Stage 3’)

The Company applied the simplified approach in accounting for amounts receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the lifetime expected credit losses using a provision matrix.

For financial assets assessed as impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

Loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated as FVTPL.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within accretion of deferred obligation, finance costs or finance income.

The following financial liabilities are measured at amortized cost:

- Accounts payable
- Accrued liabilities
- Provision
- Royalty obligation
- Short term debt

Financial liabilities measured at fair value through profit or loss:

Financial liabilities designated as FVTPL are initially recognized at fair value and transaction costs are taken directly to earnings along with gains and losses arising from changes in fair value. Derivative instruments, including embedded derivatives, are recorded at fair value unless exempted from derivative treatment as normal purchase and sale. All changes in their fair value are recorded through profit or loss.

The following financial liabilities are measured at fair value through profit or loss:

- Warrant derivative liability

Fair value measurement

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The binomial and Black Scholes valuation techniques are permitted under IFRS for fair value calculations.

As of June 30, 2021, and 2020, only cash and cash equivalents, which is a Level 1 financial instrument, and the warrant liability, which is a Level 3 financial instrument, are recorded at fair value on the consolidated statements of financial position.

Exploration and evaluation expenditures

Exploration and evaluation expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition.

Exploration and evaluation expenditures are expensed as incurred unless it can be demonstrated that the project will generate future economic benefit. When it is determined that a project can generate future economic benefit the costs are capitalized in the property, plant and mine development line item in the consolidated statements of financial position.

The exploration and evaluation phase ends when the technical feasibility and commercial viability of extracting the mineral is demonstrable.

Mine Development Expenditures

Mine development stage expenditures are costs incurred to obtain access to proven and probable mineral reserves or mineral resources and provide facilities for extracting, treating, gathering, transporting and storing the minerals. The development stage of a mine commences when the technical feasibility and commercial viability of extracting the mineral resource has been determined.

Costs that are directly attributable to mine development are capitalized to the extent that they are necessary to bring the property to commercial production. Abnormal costs are expensed as incurred. Indirect costs are included only if they can be directly attributed to the area of interest. General and administrative costs are capitalized as part of the development expenditures when the costs are directly attributed to a specific mining development project.

Revenue from flake graphite sales prior to the achievement of commercial production is deducted from capitalized mine development costs in the consolidated statements of financial position and is not included in revenue from mining operations.

Commercial Production

A mine construction project is considered to have entered the production stage when the mine construction assets are available for use. In determining whether mine construction assets are considered available for use, the criteria considered include, but are not limited to, the following:

- completion of a reasonable period of testing mine plant and equipment;
- ability to produce minerals in saleable form (within specifications); and
- ability to sustain ongoing production of minerals.

Mining properties, plant and equipment

When a mine construction project moves into the production stage, amortization commences, the capitalization of certain mine construction costs ceases and expenditures are either capitalized to inventories or expensed as incurred. Exceptions include costs incurred for additions or improvements to property, plant, equipment, and mine development and for open-pit stripping activities.

Mining Properties

The cost of mining properties includes the fair value attributable to proven and probable mineral reserves and mineral resources acquired in a business combination or asset acquisition, underground mine development costs, deferred stripping, capitalized exploration and evaluation costs and capitalized borrowing costs.

Significant payments related to the acquisition of land and mineral rights are capitalized as mining properties at cost. If a mineable ore body is discovered, such costs are amortized to income when commercial production commences, using the units-of-production method, based on estimated proven and probable mineral reserves and the mineral resources included in the current life of mine plan. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined that the property has no future economic value.

Assets Under Construction

Cost components of a specific project that are included in the capital cost of the asset include salaries and wages directly attributable to the project, supplies and materials used in the project, and incremental overhead costs that can be directly attributable to the project.

Assets under construction are not amortized until the earlier of the end of the construction period or once commercial production is achieved. Upon achieving the production stage, the capitalized construction costs are transferred to the appropriate category within property, plant, equipment and mine development.

Plant and Equipment

Expenditures for new facilities and improvements that can extend the useful lives of existing facilities are capitalized as plant and equipment at cost. The cost of an item of plant and equipment includes: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and the estimate of the costs of dismantling and removing the item and restoring the site on which it is located other than costs that arise as a consequence of having used the item to produce inventories during the period.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of operations and comprehensive loss when the asset is derecognized.

Amortization of an asset begins when the asset is in the location and condition necessary for it to operate in the manner intended by management. Amortization ceases at the earlier of the date the asset is classified as held for sale or the date the asset is derecognized. Assets under construction are not amortized until the earlier of the end of the construction period or once commercial production is achieved. Amortization is charged according to either the units-of-production method or on a straight-line basis, according to the pattern in which the asset's future economic benefits are expected to be consumed. The amortization method applied to an asset is reviewed at least annually.

Useful lives of plant and equipment are based on the lesser of the estimated mine lives as determined by proven and probable mineral reserves and the mineral resources included in the current life of mine plan and the estimated useful life of the asset.

The following sets out the useful lives of certain assets:

- Exploration and evaluation equipment 3 to 5 years
- Office equipment 3 to 5 years
- Vehicles 5 years
- Right of use assets 4 years
- Processing plant 1 to 30 years

Deferred Stripping

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping.

During the development stage of the mine, stripping costs are capitalized as part of the cost of building, developing and constructing the mine and are amortized once the mine has entered the production stage.

During the production stage of a mine, stripping costs are recorded as a part of the cost of inventories unless these costs are expected to provide a future economic benefit and, in such cases, are capitalized to property, plant and mine development.

Production stage stripping costs provide a future economic benefit when:

- It is probable that the future economic benefit (e.g., improved access to the ore body) associated with the stripping activity will flow to the Company;
- The Company can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Capitalized production stage stripping costs are amortized over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Borrowing Costs

Borrowing costs are capitalized to qualifying assets. Qualifying assets are assets that take a substantial period of time to prepare for the Company's intended use, which includes projects that are in the exploration and evaluation, development or construction stages.

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance costs in the period in which they are incurred. Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period.

A Cash Generating Unit ("CGU") is defined as the smallest identifiable group of assets that are able to generate cash inflows. If an active market exists for the output produced by an asset or group of assets, that asset or group of assets shall be identified as a CGU, even if some or all of the output is used internally. At the end of each reporting period the Company assesses whether there is any indication that long-lived assets other than goodwill may be impaired. If an indicator of impairment exists, the recoverable amount of the asset is calculated in order to determine if any impairment loss is required. If it is not possible to estimate the recoverable amount of the individual asset, assets are grouped at the CGU level for the purpose of assessing the recoverable amount. An impairment loss is recognized for any excess of the carrying amount of the CGU over

[Impairment of long-lived assets](#)

its recoverable amount. If the CGU includes goodwill, the impairment loss related to a CGU is first allocated to goodwill and the remaining loss is allocated on a pro-rata basis to the remaining long-lived assets of the CGU based on their carrying amounts. Impairment losses are recorded in the consolidated statements of operations and comprehensive loss in the period in which they occur.

Any impairment charge that is taken on a long-lived asset other than goodwill is reversed if there are subsequent changes in the estimates or significant assumptions that were used to recognize the impairment loss that result in an increase in the recoverable amount of the CGU. If an indicator of impairment reversal has been identified, the recoverable amount of the asset is calculated in order to determine if any impairment reversal is required. A recovery is recognized to the extent the recoverable amount of the asset exceeds its carrying amount. The amount of the reversal is limited to the difference between the current carrying amount and the amount which would have been the carrying amount had the earlier impairment not been recognized and amortization of that carrying amount had continued. The impairment reversal is allocated on a pro-rata basis to the existing long-lived assets of the CGU based on their carrying amounts. Impairment reversals are recorded in the consolidated statements of operations and comprehensive loss in the period in which they occur.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether:

- The contract involves the use of an explicitly or implicitly identified asset;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract term;
- The Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e. the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company presents right-of-use assets in the plant and equipment line item on the consolidated statements of financial position and lease liabilities in the lease obligations line item on the consolidated statements of financial position.

Short-term leases and leases of low value assets The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and leases of low value assets are recognized as an expense in the consolidated statements of operations and comprehensive loss.

Reclamation provisions

Asset retirement obligations ("AROs") arise from the acquisition, development and construction of mining properties and plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings closure and rehabilitation, demolition of buildings

and mine facilities, ongoing water treatment and ongoing care and maintenance of closed mines. The Company recognizes an ARO at the time the environmental disturbance occurs or a constructive obligation is determined to exist based on the Company's best estimate of the timing and amount of expected cash flows expected to be incurred. When the ARO provision is recognized, the corresponding cost is capitalized to the related item of property, plant and equipment. Reclamation provisions that result from disturbance in the land to extract ore in the current period is included in the cost of inventories.

The timing of the actual environmental remediation expenditures is dependent on a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Reclamation provisions are measured at the expected value of future cash flows discounted to their present value using a risk-free interest rate. AROs are adjusted each period to reflect the passage of time (accretion). Accretion expense is recorded in finance costs each period. Upon settlement of an ARO, the Company records a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains or losses are recorded in the consolidated statements of operations and comprehensive loss.

Expected cash flows are updated to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are the construction of new processing facilities, changes in the quantities of material in mineral reserves and mineral resources and a corresponding change in the life of mine plan, changing ore characteristics that impact required environmental protection measures and related costs, changes in water quality that impact the extent of water treatment required and changes in laws and regulations governing the protection of the environment.

Each reporting period, provisions for AROs are remeasured to reflect any changes to significant assumptions, including the amount and timing of expected cash flows and risk-free interest rates. Changes to the reclamation provision resulting from changes in estimate are added to or deducted from the cost of the related asset, except where the reduction of the reclamation provision exceeds the carrying value of the related assets in which case the asset is reduced to nil and the remaining adjustment is recognized in the consolidated statements of operations and comprehensive loss.

Environmental remediation liabilities ("ERLs") are differentiated from AROs in that ERLs do not arise from environmental contamination in the normal operation of a long-lived asset or from a legal or constructive obligation to treat environmental contamination resulting from the acquisition, construction or development of a long-lived asset. The Company is required to recognize a liability for obligations associated with ERLs arising from past acts. ERLs are measured by discounting the expected related cash flows using a risk-free interest rate. The Company prepares estimates of the timing and amount of expected cash flows when an ERL is incurred. Each reporting period, the Company assesses cost estimates and other assumptions used in the valuation of ERLs to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the value of the ERLs. Any change in the value of ERLs results in a corresponding charge or credit to the consolidated statements of operations and comprehensive loss. Upon settlement of an ERL, the Company records a gain or loss if the actual cost differs from the carrying amount of the ERLs in the consolidated statements of operations and comprehensive loss.

The Company's operations are subject to environmental regulations in Madagascar. As at the date of these financial statements, the Company did not have any environmental rehabilitation obligations (ERLs) and had no asset retirement obligations (AROs).

Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as financing expense. A contingent liability is disclosed where the existence of an obligation will

only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

Warrant liabilities

Share-based compensation

The Company offers equity-settled awards (the Long Term Incentive Plan “LTIP”) to certain employees, officers and directors of the Company.

Stock options

The Company’s LTIP provides for the granting of options to directors, officers, employees and service providers to purchase common shares. Options have exercise prices equal to the market price on the day prior to the date of grant. The fair value of these options is recognized in the consolidated statements of operations and comprehensive loss or in the consolidated statements of financial position if capitalized as part of property, plant and mine development over the applicable vesting period as a compensation cost. Any consideration paid by employees on exercise of options or purchase of common shares is credited to share capital.

The fair value of share-based compensation is determined at the date of grant using the Black-Scholes option valuation model. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where this fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted, as at the date the Company obtains the goods or the counterparty renders the service. The fair value of the share-based compensation is only re-measured if there is a modification to the terms of the instrument, such as a change in exercise price or legal life. The fair value of the share-based compensation is recognized as an expense over the expected vesting period with a corresponding entry to shareholders’ equity.

Restricted share units (RSUs)

The Company’s LTIP provides for the granting of restricted share units (“RSU”) to directors, officers, employees and service providers to purchase common shares. RSUs are subject to vesting requirements based on specific performance measurements by the Company. The fair value for the portion of the RSUs related to market conditions is based on the application of pricing models at the grant date and the fair value for the portion related to non-market conditions is based on the market value of the shares at the grant date. Compensation expense is based on the current best estimate of the outcome for the specific performance measurement established by the Company and is recognized over the vesting period based on the number of units estimated to vest. The cost of the RSUs is recorded within equity until settled. Equity-settled awards are not remeasured subsequent to the initial grant date.

Income taxes

Income tax consists of current and deferred tax expense. Income tax is recognized in profit or loss except to the extent it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

[Loss per share](#)

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Basic net loss per share is calculated by dividing net loss for a given period by the weighted average number of common shares outstanding during that same period. Diluted net loss per share reflects the potential dilution that could occur if holders with rights to convert instruments to common shares exercise these rights. The weighted average number of common shares used to determine diluted net loss per share includes an adjustment, using the treasury stock method, for outstanding stock options and warrants.

Under the treasury stock method:

- the exercise of stock options and warrants is assumed to occur at the beginning of the period (or date of issuance, if later);
- the proceeds from the exercise of stock options and warrants plus the future period compensation expense on stock options and warrants granted are assumed to be used to purchase common shares at the average market price during the period; and
- the incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted net loss per share calculation.

[Comparative figures](#)

For the year ending June 30, 2021, the Company modified the expenditure classifications on the Statement of Operations and Comprehensive Loss resulting in changes to the presentation of prior year expenditures for comparative purposes, whereby certain expenditures for the years ending June 30, 2020 and June 30, 2019 that were previously included in exploration and evaluation expenses, management and professional fees, and general and administrative expenses have been reclassified into other expenditures classifications.

[Recently Issued Accounting Pronouncements](#)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, the IASB issued amendments to IAS 16 Property, Plant and Equipment that clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and mine development to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit entities from deducting amounts received from selling items produced from the cost of property, plant and mine development while the Company is preparing the asset for its intended use. Instead, sales proceeds and the cost of producing these items will be recognized in the consolidated statements of operations and comprehensive loss. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments apply retrospectively, but only to assets brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Company first applies the amendments. The Company is evaluating the extent of the impact of the amendments on its financial statements.

**Property Plant and
Equipment (Tables)**

**12 Months Ended
Jun. 30, 2021**

[schedule Of Property, Plant and
Equipment](#)

	Mining Property \$	Assets Under Construction \$	Right of Use Assets \$	Equipment \$	Total \$
As at June 30, 2019	-	-	-	-	-
Adoption of IFRS 16	-	-	24,164	-	24,164
Disposals	-	-	-	-	-
Amortization	-	-	(6,053)	-	(6,053)
As at June 30, 2020	-	-	18,111	-	18,111
Additions	708,514	3,611,890	-	5,238	4,325,642
Disposals	-	-	-	-	-
Amortization	-	-	(6,037)	(555)	(6,592)
As at June 30, 2021	708,514	3,611,890	12,074	4,683	4,337,161
Carrying value as at June 30, 2020					
Cost	-	-	24,164	-	24,164
Accumulated amortization	-	-	(6,053)	-	(6,053)
Total	-	-	18,111	-	18,111
Carrying value as at June 30, 2021					
Cost	708,514	3,611,890	24,165	5,238	4,349,807
Accumulated amortization	-	-	(12,091)	(555)	(12,646)
Total	708,514	3,611,890	12,074	4,683	4,337,161

Lease obligationst (Tables)

12 Months Ended
Jun. 30, 2021

[schedule Of carrying amounts of lease obligations for right-of-use assets](#)

	Lease Obligations \$
Balance as at July 1, 2019	-
Adoption of IFRS 16	24,164
Lease payments	(4,810)
Foreign exchange adjustments	(3,336)
Balance as at June 30, 2020	16,018
Additions	-
Lease payments	(6,367)
Finance costs	1,317
Foreign exchange adjustments	131
Balance as at June 30, 2021	11,099

[Schedule Of lease obligations included in the consolidated statements of financial position](#)

	Lease Obligations \$
Current portion of lease obligations	5,845
Long-term lease obligations	5,254
Balance as at June 30, 2021	11,099

[Schedule Of Future minimum lease payments](#)

	Lease Obligations \$
Within 12 months	6,019
Between 13 and 24 months	6,019
Total undiscounted lease obligations	12,038

Royalty obligation (Tables)

**12 Months Ended
Jun. 30, 2021**

Schedule Of Royalty obligation

	Obligation
	\$
Within 12 months	-
Between 13 and 24 months	948,750
Between 25 and 36 months	1,897,500
Between 37 and 48 months	1,897,500
Between 49 and 60 months	1,897,500
Thereafter	12,333,750
Total undiscounted minimum payments and interest	18,975,000

**Warrant Derivative
Liabilities (Tables)**

**12 Months Ended
Jun. 30, 2021**

Schedule Of Warrant Derivative
Liabilities

	Warrant Liability \$
Balance as at June 30, 2019	334,618
Recognition of derivative liability	261,090
Change in fair value through profit and loss	(386,940)
Reclassification to equity on exercise of warrants	-
Balance as at June 30, 2020	208,768
Recognition of derivative liability	56,216,388
Change in fair value through profit and loss	(6,808,106)
Reclassification to equity on exercise of warrants	(4,236,117)
Balance as at June 30, 2021	45,380,933
	Warrant Liability \$
	(CAD \$0.90)
	USD
Share price on measurement date	\$0.68
	(CAD \$1.00)
	USD
Exercise price	\$0.76
Risk free rate	1.50%
Expected volatility	115%
Expected dividend yield	Nil
Expected life (in years)	2.00
As of August 17, 2018 (issue date)	408,150
Change in fair value through profit and loss	(73,532)
Reclassification to equity on exercise of warrants	-
Share price on measurement date	(CAD \$1.00)
	USD
	\$0.76
Exercise price	(CAD \$1.00)
	USD
	\$0.76
Risk free rate	1.67%
Expected volatility	100%
Expected dividend yield	Nil
Expected life (in years)	1.13
As of June 30, 2019	334,618
Change in fair value through profit and loss	(327,537)
Reclassification to equity on exercise of warrants	-
Share price on measurement date	(CAD \$0.40)
	USD
	\$0.29
Exercise price	(CAD \$100)

	USD	
	\$0.73	
Risk free rate	0.20%	
Expected volatility	162%	
Expected dividend yield	Nil	
Expected life (in years)	0.13	
As of June 30, 2020		7,081
Change in fair value through profit and loss		(7,081)
As of August 17, 2020 (expiration)		-
		Warrant Liability
		\$
	(CAD	
	\$0.50)	
	USD	
Share price on measurement date	\$0.38	
	(CAD	
	\$0.90)	
Exercise price	USD\$0.69	
Risk free rate	1.66%	
Expected volatility	115%	
Expected dividend yield	Nil	
Expected life (in years)	2.00	
As of October 25, 2019 (issue date)		261,090
Change in fair value through profit and loss		(59,403)
Reclassification to equity on exercise of warrants		-
Share price on measurement date	(CAD	
	\$0.40)	
	USD	
	\$0.29	
Exercise price	(CAD	
	\$0.90)	
	USD	
	\$0.64	
Risk free rate	0.25%	
Expected volatility	156%	
Expected dividend yield	Nil	
Expected life (in years)	1.32	
As of June 30, 2020		201,687
Change in fair value through profit and loss		2,278,285
Reclassification to equity on exercise of warrants		(1,373,246)
Share price on measurement date	(CAD	
	\$2.64)	
	USD	
	\$2.13	
Exercise price	(CAD	
	\$0.90)	
	USD	
	\$0.73	
Risk free rate	0.15%	
Expected volatility	81%	
Expected dividend yield	Nil	
Expected life (in years)	0.32	
As of June 30, 2021		1,106,726
		Warrant Liability
		\$
Warrants Expiring July 2, 2022		

	(CAD	
	\$0.40)	
	USD	
Share price on measurement date	\$0.29	
	(CAD	
	\$0.65)	
Exercise price	USD\$0.48	
Risk free rate	0.25%	
Expected volatility	112%	
Expected dividend yield	Nil	
Expected life (in years)	2.00	
As of July 2, 2020 (issue date)		421,861
Change in fair value through profit and loss		5,773,919
Reclassification to equity on exercise of warrants		(2,862,871)
Share price on measurement date	(CAD	
	\$2.64)	
	USD	
	\$2.13	
Exercise price	(CAD	
	\$0.65)	
	USD	
	\$0.52	
Risk free rate	0.23%	
Expected volatility	190%	
Expected dividend yield	Nil	
Expected life (in years)	1.01	
As of June 30, 2021		<u>3,332,909</u>
		Warrant
Warrants Expiring May 19, 2023		Liability
		\$
	(CAD	
	\$3.40)	
	USD	
Share price on measurement date	\$2.81	
	(CAD	
	\$1.00)	
Exercise price	USD\$0.83	
Risk free rate	0.33%	
Expected volatility	148%	
Expected dividend yield	Nil	
Expected life (in years)	2.00	
As of May 19, 2021 (issue date)		55,794,527
Change in fair value through profit and loss		(14,853,229)
Reclassification to equity on exercise of warrants		-
Share price on measurement date	(CAD	
	\$2.64)	
	USD	
	\$2.13	
Exercise price	(CAD	
	\$1.00)	
	USD	
	\$0.81	
Risk free rate	0.45%	
Expected volatility	152%	
Expected dividend yield	Nil	
Expected life (in years)	1.89	
As of June 30, 2021		<u>40,941,298</u>

Warrants (Tables)

12 Months Ended Jun. 30, 2021

[Schedule Of Warrants](#)

Issued Date	Expiration Date	Exercise Price	Balance on June 30, 2020	Issued (Expired)	Exercised	Balance on June 30, 2021
August 17, 2018	August 17, 2020	CAD\$ 1.00	1,065,265	(1,065,265)	-	-
October 25, 2019	October 25, 2021	CAD\$ 0.90	1,453,892	-	(666,112)	787,780
July 2, 2020	July 2, 2022	CAD\$ 0.65	-	3,078,941	(1,176,885)	1,902,056
May 19, 2021	May 19, 2023	1.00	-	23,214,286	-	23,214,286
Totals			2,519,157	25,227,962	(1,842,997)	25,904,122

Issued Date	Expiration Date	Exercise Price	Balance on June 30, 2019	Issued (Expired)	Exercised	Balance on June 30, 2020
August 17, 2018	August 17, 2020	CAD\$ 1.00	1,065,265	-	-	1,065,265
October 25, 2019	October 25, 2021	CAD\$ 0.90	-	1,453,892	-	1,453,892
Totals			1,065,265	1,453,892	-	2,519,157

**Long term incentive plan
(Tables)**

**12 Months Ended
Jun. 30, 2021**

[Schedule Of outstanding stock options](#)

Grant Date	Vesting Date	Expiration Date	Exercise Price	Balance on June 30, 2020	Granted (Expired or Cancelled)	Exercised	Balance on June 30, 2021
December 22, 2015	December 22, 2015	December 22, 2020		0.56 630,001	(557,826)	(72,175)	-
June 9, 2017	June 9, 2017	June 9, 2022	USD\$ 0.66	1,810,000	(470,000)	(440,000)	900,000
March 26, 2019	March 26, 2019	March 26, 2024	USD\$ 1.00	1,185,000	(315,000)	(290,000)	580,000
March 19, 2021	March 19, 2021	March 19, 2024	USD\$ 3.60	-	1,300,000	-	1,300,000
Totals				3,625,001	(42,826)	(802,175)	2,780,000

Grant Date	Vesting Date	Expiration Date	Exercise Price	Balance on June 30, 2019	Granted (Expired or Cancelled)	Exercised	Balance on June 30, 2020
July 3, 2014	July 3, 2014	July 3, 2019	USD\$ 1.50	115,000	(115,000)	-	-
February 26, 2015	February 26, 2015	February 26, 2020	USD\$ 2.00	287,000	(287,000)	-	-
December 22, 2015	December 22, 2015	December 22, 2020	USD\$ 0.56	670,001	(40,000)	-	630,001
June 9, 2017	June 9, 2017	June 9, 2022	USD\$ 0.66	1,810,000	-	-	1,810,000
March 26, 2019	March 26, 2019	March 26, 2024	USD\$ 1.00	1,185,000	-	-	1,185,000
Totals				4,067,001	(442,000)	-	3,625,001

[Schedule Of Restricted share units](#)

Grant Date	Actual / Estimated Vesting Date	Vesting Condition	Expiration Date	Balance on June 30, 2020	Granted (Expired or Cancelled)	Converted	Balance on June 30, 2021
December 29, 2020	February 7, 2021	Financing Milestone	February 19, 2021	-	172,481	(172,481)	-
December 29, 2020	February 7, 2021	Financing Milestone	August 19, 202	-	172,481	(172,481)	-
December 29, 2020	February 7, 2021	Financing Milestone	February 19, 2022	-	172,481	(172,481)	-
March 19, 2021	December 31, 2022	Employment	June 30, 2023	-	200,000		200,000
March 19, 2021	June 30, 2022	Plant Commissioning	December 31, 2022	-	100,000		100,000
March 19, 2021	June 30, 2022	Offtake Agreement	December 31, 2022	-	25,000		25,000
March 19, 2021	May 17, 2021	Financing Milestone	December 31, 2021	-	150,000		150,000
Totals				-	992,443	(517,443)	475,000

Segmented Reporting
(Tables)

12 Months Ended
Jun. 30, 2021

[Schedule of Segment Reporting Information](#)

	For the year ended June 30, 2021	For the year ended June 30, 2020	For the year ended June 30, 2019	
Revenues	\$ -	\$ -	\$ -	
Mine development expenses				
Mineral claims (Madagascar)	3,335	93,954	81,969	
Payroll and benefits	-	-	13,490	
Engineering and metallurgical (Canada, South Africa)	38,598	64,850	171,210	
Consulting fees (Madagascar)	265,635	-	686,212	
Travel	16,100	20,452	12,587	
Commercial production success fee	-	-	-	
Total mine development expenses	323,668	179,256	965,468	
Exploration and evaluation expenses				
Mineral claims (Canada)	15,335	6,623	15,469	
Mineral claims (Madagascar)	4,449	50,000	39,875	
Exploration Camp and Admin (Madagascar)	27,031	9,487	82,582	
Total exploration and evaluation expenses	46,815	66,110	137,926	
General and administrative expenses				
Payroll and benefits	483,519	436,337	459,553	
Consulting Fees	383,841	358,503	368,345	
Legal Fees	99,316	29,344	239,366	
Professional Fees	155,108	95,397	111,711	
Public filing expenses	131,923	72,137	87,093	
Travel expenses	23,399	34,004	140,414	
Investor relation expenses	31,610	22,993	49,711	
Insurance expenses	30,816	22,624	18,315	
Rent expenses	19,857	19,111	34,303	
Office and admin	37,412	23,637	24,704	
Total general and administrative expenses	1,396,801	1,114,087	1,533,515	
Share-based compensation	3,744,172	-	651,692	
Amortization of plant and equipment	6,592	6,053	-	
Finance costs	1,317	-	-	
Foreign currency translation (gain) loss	101,252	3,552	(4,565)	
Interest (income)	(104)	-	-	
Interest expense	273	2,098	-	
Royalty Fee	-	-	-	
Flow through provision (gain) or loss	(146,814)	-	-	
Foreign taxes	92	772	-	
Sub-total before other items	5,474,064	1,371,928	3,284,036	
Change in value of warrant liability	36,486,420	(386,940)	(73,532)	
Government assistance	-	(7,353)	-	
Net loss for the year	(41,960,484)	(977,635)	(3,210,504)	
As at June 30, 2021	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	22,422,783	1,130	13,173	22,437,086
Amounts receivable	92,344	-	26	92,370
Prepaid expenses	52,428	-	546	52,974
Property, plant and equipment	713,197	-	3,623,964	4,337,161

[Schedule of segmented information by geographic region](#)

Total assets	<u>23,280,752</u>	<u>1,130</u>	<u>3,637,709</u>	<u>26,919,591</u>
As at June 30, 2020	Canada	Mauritius	Madagascar	Total
	\$	\$	\$	\$
Cash and cash equivalents	208,251	-	14,054	222,305
Amounts receivable	7,513	-	26	7,539
Prepaid expenses	25,299	-	185	25,484
Property, plant and equipment	-	-	18,111	18,111
Total assets	<u>241,063</u>	<u>-</u>	<u>32,376</u>	<u>273,439</u>

**Related Party Transactions
(Tables)**

[Schedule of related party transactions occurred during the reporting Period](#)

**12 Months Ended
Jun. 30, 2021**

	Year ended June 30, 2021	Year ended June 30, 2020	Year ended June 30, 2019
Payroll and benefits	\$ 448,984	\$381,777	\$ 439,175
Consulting fees	341,541	331,682	335,045
Professional fees	35,946	-	-
Share-based compensation	3,744,172	-	640,692
Total	\$4,570,643	\$713,459	\$1,414,912

	As of June 30, 2021	As of June 30, 2020
Amounts receivable from key management	\$17,007	\$ -
Prepaid expenses to companies controlled by key management	\$ 6,949	\$ 3,178
Accounts payable due to companies controlled by key management	\$ -	\$86,685
Accrued liabilities due to key management	\$64,503	\$54,727

[related party balances existed as of the end](#)

**Financial Instruments and
Risk Management (Tables)**

Schedule of Financial Instruments and Risk
Management

**12 Months Ended
Jun. 30, 2021**

	June 30, 2021	June 30, 2019
Cash and cash equivalents (CAD)	\$1,011,996	\$ 130,414
Cash and cash equivalents (MGA)	1,698	\$ 4,003
Amounts receivable (CAD)	73,707	7,513
Amounts receivable (MGA)	26	26
Accounts payable and accrued liabilities (CAD)	(137,329)	(383,006)
Accounts payable and accrued liabilities (MGA)	(30,574)	(1,061)
Accounts payable and accrued liabilities (EUR)	(166,869)	(177,654)
Provisions (CAD)	(738,022)	(242,829)
Net foreign exchange exposure in USD	<u>\$ 14,633</u>	<u>(662,594)</u>
Impact of 10% change in foreign exchange rates	<u>\$ 1,463</u>	<u>(66,259)</u>

Income Taxes (Tables)

12 Months Ended
Jun. 30, 2021

[Schedule of Income Tax](#)

	As at June 30, 2021	As at June 30, 2020
Net loss for the year	\$(41,960,484)	\$(977,635)
Statutory rate	26.5%	26.5%
Expected income tax recovery	(11,119,530)	(259,073)
Other adjustments	63,830	22,553
Non-deductible expenses	-	(102,150)
Share cost of issue booked to equity	(30,060)	(2,070)
Share based compensation	992,210	
Change in value of warrant liability	9,668,900	
Utilization of losses not previously recognized	-	-
Change in tax benefits not recognized	424,650	340,740
Income tax (recovery)	\$ -	\$ -

[Schedule components of deferred tax](#)

	As at June 30, 2021	As at June 30, 2020
Deferred tax assets		
Royalty obligation	\$318,060	\$ -
Share cost of issue	387,770	-
Operating tax losses carried forward	54,590	-
Subtotal of deferred tax assets	760,420	-
Deferred tax liabilities		
Royalty receivable	760,420	-
Subtotal of deferred tax liabilities	760,420	-
Net deferred tax asset (liability)	\$ -	\$ -

[Schedule of temporary differences](#)

	As at June 30, 2021	As at June 30, 2020
Canadian operating tax losses carry-forward	\$25,041,650	\$23,419,560
Capital losses carry-forward	53,000	53,000
Non-Canadian losses	1,465,890	1,316,520
Property, plant and equipment	188,560	188,980
Share cost of issue	-	128,300
Canadian exploration and development tax pools	3,754,990	4,198,270
Unrecognized deferred tax assets	\$30,504,090	\$29,304,630

[Schedule Of operating tax losses carry-forward](#)

	As at June 30, 2021
2027	627,560
2028	808,270
2029	817,410
2030	1,382,860
2031	1,948,650
2032	2,491,120
2033	2,077,470
2034	2,528,580
2035	2,013,770
2036	1,448,930
2037	1,837,300

2038	2,104,660
2039	1,777,140
2040	1,349,840
2041	1,828,090
Canadian operating tax losses carry-forward	<u>25,041,650</u>

**Basis of Presentation
(Details)**

**12 Months Ended
Jun. 30, 2021**

[Office Equipment \[Member\] | Minimum \[Member\]](#)

[Statement \[Line Items\]](#)

[Useful lives of plant and equipment](#)

3 years

[Office Equipment \[Member\] | Maximum \[Member\]](#)

[Statement \[Line Items\]](#)

[Useful lives of plant and equipment](#)

5 years

[Vehicles \[Member\]](#)

[Statement \[Line Items\]](#)

[Useful lives of plant and equipment](#)

5 years

[Exploration and Evaluation Equipment \[Member\] | Minimum \[Member\]](#)

[Statement \[Line Items\]](#)

[Useful lives of plant and equipment](#)

3 years

[Exploration and Evaluation Equipment \[Member\] | Maximum \[Member\]](#)

[Statement \[Line Items\]](#)

[Useful lives of plant and equipment](#)

5 years

[Right of Use Assets \[Member\]](#)

[Statement \[Line Items\]](#)

[Useful lives of plant and equipment](#)

4 years

[Processing Plant \[Member\] | Minimum \[Member\]](#)

[Statement \[Line Items\]](#)

[Useful lives of plant and equipment](#)

1 year

[Processing Plant \[Member\] | Maximum \[Member\]](#)

[Statement \[Line Items\]](#)

[Useful lives of plant and equipment](#)

30 years

Basis of Presentation (Details Narrative) - USD (\$)	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2018
<u>Cash and cash equivalents</u>	\$ 22,437,086	\$ 222,305	\$ 529,331	\$ 338,702
<u>Ownership percentage</u>	100.00%			

Mineral Properties (Details Narrative) - USD (\$)	Feb. 08, 2021	May 20, 2015	Apr. 16, 2014	Dec. 14, 2011	1 Months	12 Months	Jun. 30, 2020
					Ended Jun. 28, 2021	Ended Jun. 30, 2021	
Statement [Line Items]							
Mining property						\$ 708,514	\$ 0
Discount rate percentage						13.8	
Initial private placement	\$						
	6,000,000.0						
Gross proceeds	29,500,000						
Second private placement	\$						
	12,500,000						
Initial payment received					\$	\$	
					8,000,000.0	8,000,000.0	
Remaining payment received					\$	\$	
					3,000,000.0	3,000,000.0	
Capital expenditures percentage					80	80	
Provision related to commercial production fee						\$ 708,514	
Assets under construction						\$ 3,611,890	\$ 0
Joint Venture Agreement With Malagasy Minerals Limited [Member]							
Statement [Line Items]							
Class of Warrant or Right, Issued			350,000				
Further Cash Payment Due Within Five Days of Commencement of Commercial Production	\$						
	771,510						
Percentage of Ownership Interest in Mineral Property				100.00%			
Percentage of Interest in Mineral Property Acquired			25.00%	75.00%			
Percentage of Net Smelter Return Royalty on Mineral Property		1.50%					
Warrants and Rights Issued		\$					
		320,950					
Class of Warrant or Right, Exercise Price of Warrants or Rights				\$ 0.14			
Payments to Acquire Investments	\$	\$	\$				
	546,000	364,480	2,261,690				
Stock Issued During Period, Shares, New Issues		100,000	250,000	750,000			
Molo Graphite Mine, Southern Madagascar Region, Madagascar [Member]							

Statement [Line Items]

Percentage of Ownership Interest in Mineral Property

100.00%

Percentage of Interest in Mineral Property Acquired

75.00%

Payments to Acquire Investments

\$ \$
364,480 2,261,690

Stock Issued During Period, Shares, New Issues

250,000 750,000

Percentage of Interest in Mineral Property Transferred

75.00%

Stock Issued During Period, Value, New Issues

325,000

Mineral Exploration and Other Properties (Details Narrative) - USD (\$)	12 Months Ended			Dec. 14, 2011
	Jul. 09, 2009	Dec. 31, 2007	Dec. 31, 2006	
Green Giant Property [Member]				
Statement [Line Items]				
Class of Warrant or Right, Issued		100,000		
First 1% NSR Acquisition Option, Payments	\$ 500,000			
Percentage of Interest in Mineral Property Acquired	25.00%	75.00%		
Percentage of Net Smelter Return Royalty on Mineral Property	2.00%			
Percentage of Ownership Interest in Mineral Property				1.00%
Second 1% NSR Acquisition Option, Payments	\$ 1,000,000			
Payments to Acquire Investments	\$ 100,000	\$ 765,000		
Stock Issued During Period, Shares, New Issues		250,000		
Claims Purchased from Virginia Mines Inc [Member]				
Statement [Line Items]				
Percentage of Interest in Mineral Property Acquired			100.00%	
Percentage of Net Smelter Return Royalty on Mineral Property			2.00%	
First Half of 1% NSR Acquisition Option, Payments			\$ 200,000	
Percentage of NSR, Unrelated Parties			1.00%	
Second Half of 1% NSR Acquisition Option, Payments			\$ 100,000	

**Property, Plant and
Equipment (Details) - USD
(\$)**

**12 Months Ended
Jun. 30, 2021 Jun. 30, 2020**

Statement [Line Items]

<u>Property, Plant and Equipment Begining Balance</u>	\$ 18,111	\$ 0
<u>Adoption of IFRS 16</u>		24,164
<u>Additions</u>	4,325,642	
<u>Disposals</u>	0	0
<u>Amortization</u>	(6,592)	(6,053)
<u>Property, Plant and Equipment Ending Balance</u>	4,337,161	18,111
<u>Cost of Property, Plant and Equipment</u>	4,349,807	24,164
<u>Accumulated amortization of Property, Plant and Equipment</u>	(12,646)	(6,053)
<u>Total Property, Plant and Equipment</u>	4,337,161	18,111

Mining Property [Member]

Statement [Line Items]

<u>Property, Plant and Equipment Begining Balance</u>	0	0
<u>Adoption of IFRS 16</u>		0
<u>Additions</u>	708,514	
<u>Disposals</u>	0	0
<u>Amortization</u>	0	0
<u>Property, Plant and Equipment Ending Balance</u>	708,514	0
<u>Cost of Property, Plant and Equipment</u>	0	0
<u>Accumulated amortization of Property, Plant and Equipment</u>	708,514	0
<u>Total Property, Plant and Equipment</u>	708,514	0

Right of Use Assets [Member]

Statement [Line Items]

<u>Property, Plant and Equipment Begining Balance</u>	18,111	0
<u>Adoption of IFRS 16</u>		24,164
<u>Additions</u>	0	
<u>Disposals</u>	0	0
<u>Amortization</u>	(6,037)	(6,053)
<u>Property, Plant and Equipment Ending Balance</u>	12,074	18,111
<u>Cost of Property, Plant and Equipment</u>	24,165	24,164
<u>Accumulated amortization of Property, Plant and Equipment</u>	(12,091)	(6,053)
<u>Total Property, Plant and Equipment</u>	12,074	18,111

Equipment [Member]

Statement [Line Items]

<u>Property, Plant and Equipment Begining Balance</u>	0	0
<u>Adoption of IFRS 16</u>		0
<u>Additions</u>	5,238	
<u>Disposals</u>	0	0
<u>Amortization</u>	(555)	0
<u>Property, Plant and Equipment Ending Balance</u>	4,683	0

<u>Cost of Property, Plant and Equipment</u>	5,238	0
<u>Accumulated amortization of Property, Plant and Equipment</u>	(555)	0
<u>Total Property, Plant and Equipment</u>	4,683	0
<u>Assets Under Construction [Member]</u>		
<u>Statement [Line Items]</u>		
<u>Property, Plant and Equipment Begining Balance</u>	0	0
<u>Adoption of IFRS 16</u>		0
<u>Additions</u>	3,611,890	
<u>Disposals</u>	0	0
<u>Amortization</u>	0	0
<u>Property, Plant and Equipment Ending Balance</u>	3,611,890	0
<u>Cost of Property, Plant and Equipment</u>	3,611,890	0
<u>Accumulated amortization of Property, Plant and Equipment</u>	0	0
<u>Total Property, Plant and Equipment</u>	\$ 3,611,890	\$ 0

Property, Plant and Equipment (Details Narrative) - USD (\$)	12 Months Ended	
	Jun. 30, 2021	Jun. 30, 2020
Commercial production fee capitalized	\$ 708,514	\$ 0
Construction of processing plant as assets under construction	3,611,890	\$ 0
Right-of-use assets	\$ 24,164	
Exploration camp lease remaining term	24 years	

12 Months Ended**Short-Term Debt (Details
Narrative) - USD (\$)****Jun. 30, 2021****Jun.
30,
2020**[Short-term debt carrying
balance](#)

\$ 0

\$
22,115[Loan forgiveness provisions
description](#)

The Company has a Canada Emergency Business Account (CEBA), which is not subject to an interest rate until after December 31, 2022 and has loan forgiveness provisions whereby 25% of the loan principal will be forgiven if 75% of the loan principal is repaid prior to December 31, 2022.

Lease obligations (Details) - USD (\$)	12 Months Ended		
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2019
<u>Lease Obligations Beginning Balance</u>	\$ 16,018	\$ 0	
<u>Adoption of IFRS 16</u>		24,164	
<u>Additions Lease Obligations</u>	0		
<u>Lease payments</u>	(6,367)	(4,810)	
<u>Finance costs</u>	1,317	0	\$ 0
<u>Foreign exchange adjustments</u>	131	(3,336)	
<u>Lease Obligations Ending Balance</u>	\$ 11,099	\$ 16,018	

Lease obligations (Details 1)	Jun. 30, 2021
	USD (\$)
<u>Current portion of lease obligations</u>	\$ 5,845
<u>Long-term lease obligations</u>	5,254
<u>Lease Obligations</u>	\$ 11,099

Lease obligations (Details 2)	12 Months Ended
	Jun. 30, 2021
	USD (\$)
<u>Within 12 Months</u>	\$ 6,019
<u>Between 13 and 24 months</u>	6,019
<u>Total undiscounted lease obligations</u>	\$ 12,038

Lease obligations (Details Narrative) - USD (\$)	12 Months Ended	
	Jun. 30, 2021	Jun. 30, 2020
Exploration camp lease remaining term	24 years	
lease obligations for leased right-of-use assets	\$ 24,164	
Rent expense relating to short-term office leases	\$ 19,857	\$ 0

Royalty obligation (Details)	12 Months Ended Jun. 30, 2021 USD (\$)
<u>Obligation Within 12 Months</u>	\$ 0
<u>Obligation Between 13 and 24 months</u>	948,750
<u>Obligation Between 25 and 36 months</u>	1,897,500
<u>Obligation Between 37 and 48 months</u>	1,897,500
<u>Obligation Between 49 and 60 months</u>	1,897,500
<u>Thereafter</u>	12,333,750
<u>Total undiscounted minimum payments and interest</u>	\$ 18,975,000

Royalty obligation (Details Narrative) - USD (\$)	1 Months Ended		12 Months Ended	
	Feb. 08, 2021	Jun. 28, 2021	Jun. 30, 2021	Jun. 30, 2020
Initial payment received		\$ 8,000,000.0	\$ 8,000,000.0	
Gross proceeds	\$ 29,500,000			
Royalty financing fee		\$ 1,500,000		
Capital expenditures percentage		80	80	
Remaining payment received		\$ 3,000,000.0	\$ 3,000,000.0	
Receive royalty percentage on gross revenues		1.0		
Cumulative royalty payment		\$ 16,500,000		
Royalty payment		1,650,000		
Option to reduce royalty payment		\$ 20,000,000		
Accrued interest percentage		15		
Financing fee			1,500,000	
Legal fees			169,279	
Royalty obligation at fair value			\$ 6,500,000	
Discount rate percentage			13.8	
Accretion expense on the royalty obligation			\$ 0	\$ 0

**Warrant Derivative
Liabilities (Details) -
Warrant Derivative Liability
[Member] - USD (\$)**

12 Months Ended

Jun. 30, 2021 Jun. 30, 2020

Statement [Line Items]

<u>Number of outstanding balance, Beginning</u>	\$ 208,768	\$ 334,618
<u>Recognition of derivative liability</u>	56,216,388	261,090
<u>Change in fair value through profit and loss</u>	(6,808,106)	(386,940)
<u>Reclassification to equity on exercise of warrants</u>	(4,236,117)	0
<u>Number of outstanding balance, Ending</u>	\$ 45,380,933	\$ 208,768

Warrant Derivative Liabilities (Details 1)	1 Months Ended				12 Months Ended							
	May 19, 2023	May 19, 2023	Jul. 02, 2022	Oct. 25, 2021	Aug. 17, 2020 USD (\$)	Jun. 30, 2021 USD (\$)	Jun. 30, 2020 USD (\$)	May 19, 2023	Jul. 02, 2022	Oct. 25, 2021	Jun. 30, 2021	Jun. 30, 2020
	\$ / shares	\$ / shares	\$ / shares	\$ / shares	\$ / shares	\$ / shares	\$ / shares	\$ / shares	\$ / shares	\$ / shares	\$ / shares	\$ / shares
Maximum [Member]												
Statement [Line Items]												
Share price on measurement date					\$ 0.90							
Exercise price					1.00							
Minimum [Member]												
Statement [Line Items]												
Share price on measurement date					0.68							
Exercise price					\$ 0.76							
May 19, 2021 [Member]												
Maximum [Member]												
Statement [Line Items]												
Share price on measurement date											\$ 2.64	
Exercise price					\$ 1.00							
May 19, 2021 [Member]												
Minimum [Member]												
Statement [Line Items]												
Share price on measurement date					2.13							
Exercise price					0.81							
August 17, 2018 [Member]												
Maximum [Member]												
Statement [Line Items]												
Share price on measurement date											1.00	
Exercise price					1.00							
August 17, 2018 [Member]												
Minimum [Member]												
Statement [Line Items]												
Share price on measurement date					0.76							
Exercise price					0.76							
July 2, 2020 [Member]												
Maximum [Member]												
Statement [Line Items]												
Share price on measurement date											2.64	
Exercise price					0.65							
July 2, 2020 [Member]												
Minimum [Member]												
Statement [Line Items]												
Share price on measurement date					2.13							
Exercise price					\$ 0.52							
Warrant Liability [Member]												

Statement [Line Items]

Fair value of warrant liability, Beginning \$	\$ 201,687	\$ 334,618	
Change in fair value through profit and loss \$	\$ (7,081)	2,278,285 (386,940)	
Reclassification to equity on exercise of warrants \$	\$ (1,373,246)	\$ 0	
Risk free rate	1.50%	0.15%	0.20%
Expected volatility	115.00%	81.00%	162.00%
Expected dividend yield	0.00%	0.00%	0.00%
Expected life (in years)	2 years	3 months 25 days	1 month 17 days
Fair value of warrant liability, Ending \$	\$ 0	\$ 1,106,726	\$ 7,081

[Warrant Liability \[Member\] | Subsequent Events \[Member\]](#)

Statement [Line Items]

Risk free rate	0.33%	0.33%	0.25%	1.66%
Expected volatility	148.00%	148.00%	112.00%	115.00%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Expected life (in years)	2 years	2 years	2 years	2 years

[Warrant Liability \[Member\] | Maximum \[Member\]](#)

Statement [Line Items]

Share price on measurement date			\$ 2.64	\$ 0.40
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Exercise price	\$ 0.90	\$ 100
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[Warrant Liability \[Member\] | Maximum \[Member\]](#)

[Subsequent Events \[Member\]](#)

Statement [Line Items]

Share price on measurement date			\$ 3.40	\$ 0.40	\$ 0.50
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Exercise price (per share)	\$ 1.00	\$ 0.65	\$ 0.90
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[Warrant Liability \[Member\] | Minimum \[Member\]](#)

Statement [Line Items]

Share price on measurement date	2.13	0.29
Exercise price	\$ 0.73	\$ 0.73

[Warrant Liability \[Member\] | Minimum \[Member\]](#)

[Subsequent Events \[Member\]](#)

Statement [Line Items]

Share price on measurement date	\$ 2.81	\$ 2.81	0.29	0.38
Exercise price	\$ 0.83	\$ 0.48	\$ 0.69	

[Warrant Liability \[Member\] | May 19, 2021 \[Member\]](#)

Statement [Line Items]

Fair value of warrant liability, Beginning \$	\$ 55,794,527
Change in fair value through profit and loss \$	(14,853,229)

Reclassification to equity on exercise of warrants \$	\$ 0
Risk free rate	0.45%
Expected volatility	152.00%
Expected dividend yield	0.00%
Expected life (in years)	1 year 10 months 20 days
Fair value of warrant liability, Ending \$	\$ 40,941,298
Warrant Liability [Member] August 17, 2018 [Member]	
Statement [Line Items]	
Change in fair value through profit and loss \$	(73,532)
Reclassification to equity on exercise of warrants \$	\$ 0
Risk free rate	1.67%
Expected volatility	100.00%
Expected dividend yield	0.00%
Expected life (in years)	1 year 1 month 17 days
Fair value of warrant liability \$	\$ 408,150
Warrant Liability [Member] October 25, 2019 [Member]	
Statement [Line Items]	
Change in fair value through profit and loss \$	(59,403)
Reclassification to equity on exercise of warrants \$	\$ 0
Risk free rate	0.25%
Expected volatility	156.00%
Expected dividend yield	0.00%
Expected life (in years)	1 year 3 months 25 days
Fair value of warrant liability \$	\$ 261,090
Warrant Liability [Member] July 2, 2020 [Member]	
Statement [Line Items]	
Fair value of warrant liability, Beginning \$	421,861
Change in fair value through profit and loss \$	5,773,919
Reclassification to equity on exercise of warrants \$	\$ (2,862,871)
Risk free rate	0.23%
Expected volatility	190.00%
Expected dividend yield	0.00%
Expected life (in years)	1 year 3 days

Fair value of warrant liability,
Ending | \$

\$ 3,332,909

Warrant Derivative Liabilities (Details Narrative) - USD (\$)	1 Months Ended		12 Months Ended	
	May 19, 2021	Jul. 02, 2020	Jun. 30, 2021	Jun. 30, 2020
<u>Initial fair value of warrants issued</u>	\$ 55,794,527			
<u>Reclassification of equity to warrant liability</u>	12,500,000	\$ 421,861	\$ (12,921,861)	\$ (261,090)
<u>Recognized through profit and loss</u>	\$ 43,294,527			
<u>Initial fair value of warrants granted</u>		\$ 421,861		

Provisions (Details Narrative) - USD (\$)	1 Months Ended			12 Months Ended			
	Dec. 31, 2014	Apr. 16, 2014	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2018	Jun. 30, 2017
Statement [Line Items]							
Flow through provision			\$ 563,604	\$ (6,234)	\$ 0		
Provision			738,022	174,418			
Mining Property [Member]							
Statement [Line Items]							
Provision			\$ 708,514				
Discount rate			13.80%				
Sale and Purchase Agreement							
[Member]							
Statement [Line Items]							
Payment of commercial production							
fee		\$ 806,200					
Molo Graphite Property [member]							
Statement [Line Items]							
Interest rates		25.00%					
Canadian Exploration							
Expenditures [member]							
Statement [Line Items]							
Flow through provision	\$						
	3,812,642						
Flow-through shares subscriptions	17,889,215						
Increase in provision							\$ 131,320
Adjustment for foreign exchange				\$ 174,418		\$ 180,652	
fluctuations							
Provision			\$ 29,508				
Paid in taxes							\$ 131,320

Share Capital (Details Narrative)	1 Months Ended																		12 Months Ended														
	Jun. 07, 2021	Jun. 07, 2021	Apr. 12, 2021	Apr. 12, 2021	Mar. 15, 2021	Mar. 08, 2021	Mar. 08, 2021	Mar. 04, 2021	Mar. 04, 2021	Feb. 12, 2021	Feb. 12, 2021	Feb. 09, 2021	Jul. 02, 2020	Jul. 02, 2020	Jun. 23, 2021	Jun. 23, 2021	May 25, 2021	May 25, 2021	May 19, 2021	Feb. 26, 2021	Feb. 26, 2021	Feb. 19, 2021	Feb. 19, 2021	Dec. 22, 2020	Oct. 25, 2019	Jun. 30, 2021	Jun. 30, 2020	May 19, 2021	Mar. 15, 2021	Oct. 25, 2019			
	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)		
Statement (Line Items)																																	
Common stock, Shares issued																																	
Common shares outstanding																																	
Number of Stock options exercised																																	
Stock options, exercise price (per share)																																	
Stock options exercised into common shares																																	
Gross proceeds from exercised of stock options (USD (\$))																																	
Warrant price per unit (USD (\$)/ shares)																																	
Proceeds from exercise of warrant (USD (\$))																																	
Total number of Warrants																																	
Warrant exercise price (USD (\$)/ shares)																																	
Number of warrant exercised																																	
Warrant exercised into shares																																	
RSUs converted to common shares																																	
Gross proceeds from issuance of shares (USD (\$))																																	
Stock Options (Member)																																	
Statement (Line Items)																																	
Number of Stock options exercised																																	
Stock options, exercise price (USD (\$)/ shares)																																	
Private Placement (Member)																																	
Statement (Line Items)																																	
Common stock, Shares issued																																	
Shares issuance cost (USD (\$))																																	
Unit per price (per share)																																	
Gross proceeds from issuance of shares (USD (\$))																																	
Warrant exercise price per share (per share)																																	
Warrant term																																	

Warrants (Details)					1 Months Ended			12 Months Ended	
	Jun. 07, 2021	Apr. 12, 2021	Mar. 04, 2021	Feb. 12, 2021	Jun. 23, 2021	May 25, 2021	Feb. 26, 2021	Jun. 30, 2021 \$/ shares shares	Jun. 30, 2020 shares
Statement [Line Items]									
Warrants Outstanding, beginning								2,519,157	1,065,265
Warrants Issued (Expired)								25,227,962	1,453,892
Warrants Exercised	200,000	55,555	50,000	15,385	222,223	750,000	111,112	(1,842,997)	0
Warrants Outstanding, ending								25,904,122	2,519,157
Warrant Two [Member]									
Statement [Line Items]									
Warrants Outstanding, beginning								1,453,892	
Warrants Issued (Expired)									1,453,892
Warrants Exercised								(666,112)	0
Warrants Outstanding, ending								787,780	1,453,892
Issued Date								Oct. 25, 2019	
Expiration Date								Oct. 25, 2021	
Exercise Price \$ / shares								\$ 0.90	
Warrant One [Member]									
Statement [Line Items]									
Warrants Outstanding, beginning								1,065,265	1,065,265
Warrants Issued (Expired)								(1,065,265)	
Warrants Exercised								0	0
Warrants Outstanding, ending									1,065,265
Issued Date								Aug. 17, 2019	
Expiration Date								Aug. 17, 2020	
Exercise Price \$ / shares								\$ 1.00	
Warrant Three [Member]									
Statement [Line Items]									
Warrants Issued (Expired)								3,078,941	
Warrants Exercised								(1,176,885)	
Warrants Outstanding, ending								1,902,056	
Issued Date								Jul. 02, 2020	
Expiration Date								Jul. 02, 2022	

<u>Exercise Price \$ / shares</u>	\$ 0.65
<u>Warrant Four [Member]</u>	
<u>Statement [Line Items]</u>	
<u>Warrants Issued (Expired)</u>	23,214,286
<u>Warrants Exercised</u>	0
<u>Warrants Outstanding, ending</u>	23,214,286
<u>Issued Date</u>	May 19, 2021
<u>Expiration Date</u>	May 19, 2023
<u>Exercise Price \$ / shares</u>	\$ 1.00

Warrants (Details Narrative)			1 Months Ended		12 Months Ended					
	Jul. 02, 2020 USD (\$) \$/ shares shares	Jul. 02, 2020 USD (\$) \$/ shares \$/ shares shares	May 19, 2021 USD (\$) \$/ shares shares	Oct. 25, 2019 USD (\$) \$/ shares shares	Jun. 30, 2021 USD (\$) \$/ shares shares	Jun. 30, 2020 USD (\$) \$/ shares shares	May 19, 2021 \$/ shares	Mar. 15, 2021 USD (\$)	Mar. 15, 2021 \$/ shares	Oct. 25, 2019 \$/ shares
Statement [Line Items]										
Warrant Outstanding shares					25,904,122	2,519,157				
Wighted average expiration period					1 year 9 months 7 days	9 months 25 days				
Number of warrants exercisable					25,904,122	2,519,157				
Warrant, wighted average exercise price \$ / shares					\$ 0.78	\$ 0.70				
Gross proceeds from issuance of shares \$					\$	\$				
Private Placement [Member]					120,491,932	103,901,775				
Statement [Line Items]										
Common Stock, Shares issued shares	6,157,887	6,157,887	23,214,286	2,907,777						
Unit per price (per share)	\$ 0.24	\$ 0.24		\$ 0.45			\$ 0.65		\$ 0.65	\$ 0.45
Gross proceeds from issuance of shares \$	\$ 1,476,571	\$ 1,476,571	\$ 12,500,000	\$ 998,620			\$		\$ 6,000,000	
Warrant exercise price per share (per share)	\$ 0.65	\$ 0.65	\$ 1.00	\$ 0.70						
Warrant term	24 years	24 years	24 years	2 years						

Long term incentive plan (Details) - \$ / shares	12 Months Ended	
	Jun. 30, 2021	Jun. 30, 2020

[Stock Option \[Member\]](#)

[Statement \[Line Items\]](#)

Grant date	December 22, 2015	July 3, 2014
Vesting date	December 22, 2015	July 3, 2014
Expiration date	December 22, 2020	July 3, 2019
Exercise price	\$ 0.56	\$ 1.50
Opening balance	630,001	115,000
Granted (Expired or Cancelled)	(557,826)	(115,000)
Exercised	(72,175)	
Closing balance	0	

[Stock Option 2 \[Member\]](#)

[Statement \[Line Items\]](#)

Grant date	March 26, 2019	December 22, 2015
Vesting date	March 26, 2019	December 22, 2015
Expiration date	March 26, 2024	December 22, 2020
Exercise price	\$ 1.00	\$ 0.56
Opening balance	1,185,000	670,001
Granted (Expired or Cancelled)	(315,000)	(40,000)
Exercised	(290,000)	
Closing balance	580,000	1,185,000

[Stock Option 1 \[Member\]](#)

[Statement \[Line Items\]](#)

Grant date	June 9, 2017	February 26, 2015
Vesting date	June 9, 2017	February 26, 2015
Expiration date	June 9, 2022	February 26, 2020
Exercise price	\$ 0.66	\$ 2.00
Opening balance	1,810,000	287,000
Granted (Expired or Cancelled)	(470,000)	(287,000)
Exercised	(440,000)	
Closing balance	900,000	

[Stock Option 3 \[Member\]](#)

[Statement \[Line Items\]](#)

Grant date	March 19, 2021	June 9, 2017
Vesting date	March 19, 2021	June 9, 2017
Expiration date	March 19, 2024	June 9, 2022
Exercise price	\$ 3.60	\$ 0.66
Opening balance	0	1,810,000
Granted (Expired or Cancelled)	1,300,000	
Closing balance	1,300,000	1,810,000

[Total \[Member\]](#)

[Statement \[Line Items\]](#)

<u>Opening balance</u>	3,625,001	4,067,001
<u>Granted (Expired or Cancelled)</u>	(42,826)	(442,000)
<u>Exercised</u>	(802,175)	
<u>Closing balance</u>	2,780,000	3,625,001

Stock Option 4 [Member]

Statement [Line Items]

<u>Grant date</u>	March26,2019
<u>Vesting date</u>	March 26, 2019
<u>Expiration date</u>	March 26, 2024
<u>Exercise price</u>	\$ 1.00
<u>Opening balance</u>	1,185,000
<u>Closing balance</u>	1,185,000

**Long term incentive plan
(Details 1)**

**12 Months Ended
Jun. 30, 2021
shares**

[Stock Options 5 \[Member\]](#)

[Statement \[Line Items\]](#)

[Grant date](#) March 19, 2021
[Actual / Estimated Vesting Date](#) June 30, 2022
[Expiration Date](#) December 31 , 2022
[Vesting Conditions](#) Offtake Agreement
[Granted \(Expired or Cancelled\)](#) 25,000
[Balance closing](#) 25,000

[Stock Options 4 \[Member\]](#)

[Statement \[Line Items\]](#)

[Grant date](#) March 19, 2021
[Actual / Estimated Vesting Date](#) June 30, 2022
[Expiration Date](#) December 31, 2022
[Vesting Conditions](#) Plant Commissioning
[Granted \(Expired or Cancelled\)](#) 100,000
[Balance closing](#) 100,000

[Stock Options 1 \[Member\]](#)

[Statement \[Line Items\]](#)

[Grant date](#) December 29, 2020
[Actual / Estimated Vesting Date](#) February 7, 2021
[Expiration Date](#) August 19, 202
[Vesting Conditions](#) Financing Milestone
[Granted \(Expired or Cancelled\)](#) 172,481
[Converted](#) (172,481)

[Stock Options 2 \[Member\]](#)

[Statement \[Line Items\]](#)

[Grant date](#) December 29, 2020
[Actual / Estimated Vesting Date](#) February 7, 2021
[Expiration Date](#) February 19, 2021
[Vesting Conditions](#) Financing Milestone
[Granted \(Expired or Cancelled\)](#) 172,481
[Converted](#) (172,481)

[Stock Options \[Member\]](#)

[Statement \[Line Items\]](#)

[Actual / Estimated Vesting Date](#) February 7, 2021
[Expiration Date](#) February 19, 2022
[Vesting Conditions](#) Financing Milestone
[Granted \(Expired or Cancelled\)](#) 172,481
[Converted](#) (172,481)

[Stock Options 3 \[Member\]](#)

Statement [Line Items]

Grant date March 19, 2021
Actual / Estimated Vesting Date December 31, 2022
Expiration Date June 30, 2023
Vesting Conditions Employment
Granted (Expired or Cancelled) 200,000
Balance closing 200,000
Stock Options 6 [Member]

Statement [Line Items]

Grant date March 19, 2021
Actual / Estimated Vesting Date May 17, 2021
Expiration Date December 31, 2021
Vesting Conditions Financing Milestone
Granted (Expired or Cancelled) 150,000
Balance closing 150,000
Stock Option (Total) [Member]

Statement [Line Items]

Granted (Expired or Cancelled) 992,443
Converted (517,443)
Balance closing 475,000

Long term incentive plan (Details Narrative)	1 Months Ended		12 Months Ended			Mar. 19, 2021 USD (\$) \$/ shares	Feb. 12, 2021 \$/ shares
	May 19, 2021 USD (\$) \$/ shares	Mar. 19, 2021 \$/ shares	Dec. 29, 2020 USD (\$) \$/ shares	Jun. 30, 2021 USD (\$) \$/ shares	Jun. 30, 2020 \$/ shares		
Statement [Line Items]							
Weighted average exercise price \$ / shares						\$ 0.65	\$ 0.90
Stock unit outstanding shares				98,184,260	53,649,481		
RSUs [Member]							
Statement [Line Items]							
Weighted average expiration				1 year 4 months 24 days			
Number of stock options granted		517,443					
Stock unit issued shares				475,000			
Stock unit outstanding shares				475,000			
Common shares received shares				475,000			
Fair value of RSUs		\$ 364,852					
Grant date market price \$ / shares		\$ 0.71					
Vesting date		Feb. 07, 2021					
Vesting description		The RSUs have variable vesting dates whereby the holders will receive 517,443 common shares subject to the vesting condition of achieving project financing milestones related to the Molo Graphite Project whereby 33.33% was set to expire on each of Feb 16, 2021, August 16, 2021,					

and Feb 16,
2022.

RSUs One [Member]

Statement [Line Items]

<u>Number of stock options granted</u>	200,000	
<u>Stock unit issued shares</u>		200,000
<u>Fair value of RSUs</u>		\$ 575,352
<u>Grant date market price \$ / shares</u>		\$ 2.88
<u>Vesting date</u>	Dec. 31, 2022	
<u>Stock vested during period</u>		\$ 91,430
<u>RSUs expiration date</u>	Jun. 30, 2023	

RSUs Two [Member]

Statement [Line Items]

<u>Number of stock options granted</u>	100,000	
<u>Stock unit issued shares</u>		100,000
<u>Fair value of RSUs</u>		\$ 287,676
<u>Grant date market price \$ / shares</u>		\$ 2.88
<u>Vesting date</u>	Jun. 30, 2022	
<u>Stock vested during period</u>		63,178
<u>RSUs expiration date</u>	Jun. 30, 2023	

RSUs Three [Member]

Statement [Line Items]

<u>Number of stock options granted</u>	25,000	
<u>Stock unit issued shares</u>		25,000
<u>Fair value of RSUs</u>		\$ 71,919
<u>Grant date market price \$ / shares</u>		\$ 2.88
<u>Vesting date</u>	Jun. 30, 2022	
<u>Stock vested during period</u>		15,795
<u>RSUs expiration date</u>	Jun. 30, 2023	

RSUs Four [Member]

Statement [Line Items]

<u>Number of stock options granted</u>	150,000		
<u>Stock unit issued shares</u>			150,000
<u>Fair value of RSUs</u>			\$ 431,514
<u>Grant date market price \$ / shares</u>			\$ 2.88
<u>Vesting date</u>	May 17, 2021		
<u>Stock vested during period</u>		\$ 431,514	
<u>RSUs expiration date</u>	Dec. 31, 2021		

Stock Option [Member]**Statement [Line Items]**

<u>Weighted average expiration</u>		2 years 1 month 24 days	2 years 3 months 10 days
<u>Stock options outstanding</u>		2,780,000	3,625,001
<u>Market value \$ / shares</u>	\$ 2.88		
<u>Volatility rate</u>	130.00%		
<u>Number of stock options granted</u>	1,300,000		
<u>Number of options exercisable</u>		2,780,000	3,625,001
<u>Weighted average exercise price \$ / shares</u>		\$ 1.73	\$ 0.67
<u>Stock options exercisable price \$ / shares</u>	\$ 3.60		
<u>Option term</u>	3 years		
<u>Options granted, amount</u>	\$ 2,777,404		
<u>Risk free interest rate</u>	0.53%		

**Segmented Reporting
(Details) - USD (\$)**

12 Months Ended

Jun. 30, 2021 Jun. 30, 2020 Jun. 30, 2019

<u>Revenues</u>	\$ 0	\$ 0	\$ 0
<u>Mine development expenses</u>			
<u>Mineral claims (Madagascar)</u>	3,335	93,954	81,969
<u>Payroll and benefits</u>	0	0	13,490
<u>Engineering and metallurgical (Canada, South Africa)</u>	38,598	64,850	171,210
<u>Consulting fees (Madagascar)</u>	265,635	0	686,212
<u>Travel</u>	16,100	20,452	12,587
<u>Commercial production success fee</u>	0	0	0
<u>Total mine development expenses</u>	323,668	179,256	965,468
<u>Exploration and evaluation expenses</u>			
<u>Mineral claims (Canada)</u>	15,335	6,623	15,469
<u>Mineral claims (Madagascar)</u>	4,449	50,000	39,875
<u>Exploration Camp and Admin (Madagascar)</u>	27,031	9,487	82,582
<u>Total exploration and evaluation expenses</u>	46,815	66,110	137,926
<u>General and administrative expenses</u>			
<u>Payroll and benefits</u>	483,519	436,337	459,553
<u>Legal Fees</u>	99,316	29,344	239,366
<u>Professional Fees</u>	155,108	95,397	111,711
<u>Public filing expenses</u>	131,923	72,137	87,093
<u>Travel expenses</u>	23,399	34,004	140,414
<u>Investor relation expenses</u>	31,610	22,993	49,711
<u>Insurance expenses</u>	30,816	22,624	18,315
<u>Rent expenses</u>	19,857	19,111	34,303
<u>Office and admin</u>	37,412	23,637	24,704
<u>Total general and administrative expenses</u>	1,396,801	1,114,087	1,533,515
<u>Share-based compensation</u>	3,744,172	0	651,692
<u>Amortization of plant and equipment</u>	6,592	6,053	0
<u>Finance costs</u>	1,317	0	0
<u>Foreign currency translation (gain) loss</u>	101,252	3,552	(4,565)
<u>Interest (income)</u>	(104)	0	0
<u>Interest expense</u>	273	2,098	0
<u>Royalty Fee</u>	0	0	0
<u>Flow through provision (gain) or loss</u>	(146,814)	0	0
<u>Foreign taxes</u>	92	772	0
<u>Sub-total before other items</u>	5,474,064	1,371,928	3,284,036
<u>Change in value of warrant liability</u>	36,486,420	(386,940)	(73,532)
<u>Government assistance</u>	0	(7,353)	0
<u>Net loss for the year</u>	\$ (41,960,484)	\$ (977,635)	\$ (3,210,504)

**Segmented Reporting
(Details 1) - USD (\$)**

Jun. 30, 2021 Jun. 30, 2020

Statement [Line Items]

<u>Cash and cash equivalents</u>	\$ 22,437,086	\$ 222,305
<u>Amounts receivable</u>	17,007	0
<u>Prepaid expenses</u>	52,974	25,484
<u>Property, plant and equipment</u>	4,337,161	18,111
<u>Total assets</u>	26,919,591	273,439

Mauritius [Member]

Statement [Line Items]

<u>Cash and cash equivalents</u>	1,130	0
<u>Amounts receivable</u>	0	0
<u>Prepaid expenses</u>	0	0
<u>Property, plant and equipment</u>	0	0
<u>Total assets</u>	1,130	0

Madagascar [Member]

Statement [Line Items]

<u>Cash and cash equivalents</u>	13,173	14,054
<u>Amounts receivable</u>	26	26
<u>Prepaid expenses</u>	546	185
<u>Property, plant and equipment</u>	3,623,964	18,111
<u>Total assets</u>	3,637,709	32,376

Total [Member]

Statement [Line Items]

<u>Cash and cash equivalents</u>	22,437,086	222,305
<u>Amounts receivable</u>	92,370	7,539
<u>Prepaid expenses</u>	52,974	25,484
<u>Property, plant and equipment</u>	4,337,161	18,111
<u>Total assets</u>	26,919,591	273,439

Related Parties Transactions [Member]

Statement [Line Items]

<u>Cash and cash equivalents</u>	22,422,783	208,251
<u>Amounts receivable</u>	92,344	7,513
<u>Prepaid expenses</u>	52,428	25,299
<u>Property, plant and equipment</u>	713,197	0
<u>Total assets</u>	\$ 23,280,752	\$ 241,063

Related Party Transactions (Details) - USD (\$)	12 Months Ended		
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2019
<u>Statement [Line Items]</u>			
<u>Payroll and benefits</u>	\$ 0	\$ 0	\$ 13,490
<u>Professional fees</u>	155,108	95,397	111,711
<u>Share-based compensation</u>	3,744,172	0	651,692
<u>Related Parties Transaction [Member]</u>			
<u>Statement [Line Items]</u>			
<u>Payroll and benefits</u>	448,984	381,777	439,175
<u>Consulting fees</u>	341,541	331,682	335,045
<u>Professional fees</u>	35,946	0	0
<u>Share-based compensation</u>	3,744,172	0	640,692
<u>Total</u>	\$ 4,570,643	\$ 713,459	\$ 1,414,912

Related Party Transactions
(Details 1) - USD (\$)

Jun. 30, 2021 Jun. 30, 2020

<u>Amounts receivable from key management</u>	\$ 17,007	\$ 0
<u>Prepaid expenses to companies controlled by key management</u>	6,949	3,178
<u>Accounts payable due to companies controlled by key management</u>	0	86,685
<u>Accrued liabilities due to key management</u>	\$ 64,503	\$ 54,727

Capital Management (Details Narrative) - USD (\$)	Jun. 30, 2021	Jun. 30, 2020
<u>Working capital deficit</u>	\$ (24,147,490)	\$ (918,048)
<u>Warrant derivative liabilities</u>	45,380,933	45,380,933
<u>Working capital surplus</u>	\$ 21,233,443	\$ 709,280

**Financial Instruments and
Risk Management (Details) -
USD (\$)**

Jun. 30, 2021 Jun. 30, 2020

<u>Cash and cash equivalents (CAD)</u>	\$ 1,011,996	\$ 130,414
<u>Cash and cash equivalents (MGA)</u>	1,698	4,003
<u>Amounts receivable (CAD)</u>	73,707	7,513
<u>Amounts receivable (MGA)</u>	26	26
<u>Accounts payable and accrued liabilities (CAD)</u>	(137,329)	(383,006)
<u>Accounts payable and accrued liabilities (MGA)</u>	(30,574)	(1,061)
<u>Accounts payable and accrued liabilities (EUR)</u>	(166,869)	(177,654)
<u>Provisions (CAD)</u>	(738,022)	(242,829)
<u>Net foreign exchange exposure in USD</u>	14,633	(662,594)
<u>Impact of 10% change in foreign exchange rates</u>	\$ 1,463	\$ (66,259)

Financial Instruments and Risk Management (Details Narrative) - USD (\$)	12 Months Ended Jun. 30, 2021	Jun. 30, 2020
<u>Statement [Line Items]</u>		
<u>Cash and cash equivalents</u>	\$ 1,011,996	\$ 130,414
<u>Current liabilities</u>	\$ 46,729,920	1,173,376
<u>Contractual maturities</u>	12 years	
<u>Warrant derivative liabilities</u>	\$ 45,380,933	45,380,933
<u>Warrants liabilities</u>	1,348,987	964,608
<u>Foreign exchange rates</u>	1,463	\$ (66,259)
<u>Molo Graphite Mine construction [Member]</u>		
<u>Statement [Line Items]</u>		
<u>Working capital requirements</u>	1,300,000	
<u>Construction cost</u>	18,400,000	
<u>General and administrative expenditures</u>	\$ 3,000,000.0	
<u>Description of capital expenditure</u>	the Company will receive a further \$3.0 million from Vision Blue upon achieving 80% of capital expenditures	
<u>Expire of warrants</u>	20211231 years	

**Income Taxes (Details) -
USD (\$)**

**12 Months Ended
Jun. 30, 2021 Jun. 30, 2020 Jun. 30, 2019**

Statement [Line Items]

Net loss for the year \$ (41,960,484) \$ (977,635) \$ (3,210,504)

Income Tax [member]

Statement [Line Items]

Net loss for the year \$ (41,960,484) \$ (977,635)

Statutory rate 26.50% 26.50%

Expected income tax recovery \$ (11,119,530) \$ (259,073)

Other adjustments 63,830 22,553

Non-deductible expenses 0 (102,150)

Share cost of issue booked to equity (30,060) (2,070)

Share based compensation 992,210

Change in value of warrant liability 9,668,900

Utilization of losses not previously recognized 0 0

Change in tax benefits not recognized 424,650 340,740

Income tax (recovery) \$ 0 \$ 0

**Income Taxes (Details 1) -
USD (\$)**

Jun. 30, 2021 Jun. 30, 2020

Deferred tax assets

<u>Royalty obligation</u>	\$ 318,060	\$ 0
<u>Share cost of issue</u>	387,770	0
<u>Operating tax losses carried forward</u>	54,590	0
<u>Subtotal of deferred tax assets</u>	760,420	0

Deferred tax liabilities

<u>Royalty receivable</u>	760,420	0
<u>Subtotal of deferred tax liabilities</u>	760,420	0
<u>Net deferred tax asset (liability)</u>	\$ 0	\$ 0

**Income Taxes (Details 2) -
USD (\$)**

Jun. 30, 2021 Jun. 30, 2020

Statement [Line Items]

Property, plant and equipment \$ 4,337,161 \$ 18,111

Income Tax [member]

Statement [Line Items]

Canadian operating tax losses carry-forward 25,041,650 23,419,560

Non-Canadian losses 53,000 53,000

Property, plant and equipment 1,465,890 1,316,520

Capital losses carry-forward 188,560 188,980

Share cost of issue 0 128,300

Canadian exploration and development tax pools 3,754,990 4,198,270

Unrecognized deferred tax assets \$ 30,504,090 \$ 29,304,630

Income Taxes (Details 3)**Jun. 30, 2021
USD (\$)**[Total \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) \$ 25,041,650[2032 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 2,491,120[2027 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 627,560[2028 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 808,270[2033 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 2,077,470[2029 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 817,410[2030 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 1,382,860[2031 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 1,948,650[2034 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 2,528,580[2035 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 2,013,770[2036 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 1,448,930[2037 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 1,837,300[2038 \[Member\]](#)[Statement \[Line Items\]](#)[Canadian operating tax losses carry-forward](#) 2,104,660[2039 \[Member\]](#)[Statement \[Line Items\]](#)

[Canadian operating tax losses carry-forward](#) 1,777,140

[2040 \[Member\]](#)

[Statement \[Line Items\]](#)

[Canadian operating tax losses carry-forward](#) 1,349,840

[2041 \[Member\]](#)

[Statement \[Line Items\]](#)

[Canadian operating tax losses carry-forward](#) \$ 1,828,090

Income Taxes (Details Narrative)	12 Months Ended	
	Jun. 30, 2021	Jun. 30, 2019
Federal provincial income tax rate	26.50%	26.50%

**Subsequent events (Details
Narrative) - Subsequent
Events [Member]**

**1 Months Ended
Sep. 23, 2021
USD (\$)**

[Statement \[Line Items\]](#)

[Common shares for gross proceeds](#) \$ 150,100

[Description of Warrants](#) a total of 211,112 warrants priced at CAD\$0.90 were exercised into 211,112


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"Year": 1925,
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