

**FORM 51-102F3
MATERIAL CHANGE REPORT
UNDER NATIONAL INSTRUMENT 51-102**

Item 1. Name and Address of Company

NextSource Materials Inc. (“**NextSource**” or the “**Company**”)
130 King Street West, Exchange Tower Suite 1940
Toronto, Ontario, M5X 2A2
Canada

Item 2. Date of Material Change

February 8, 2021

Item 3. News Release

A news release was issued by the Company on February 8, 2021 through the facilities of Issuer Direct and was subsequently filed on SEDAR.

Item 4. Summary of Material Change

NextSource secures strategic investment of US\$29.5M from Vision Blue Resources Inc., a newly created battery commodity/resource-focused investment company founded by Sir Mick Davis (former CEO of Xstrata Plc), to fully fund construction the Molo Mine in Madagascar.

Initial production is expected to be 17,000 tonnes per annum (“tpa”) over the first two years of production followed by mine expansion in Year three. Offtakes are in place for more than 100% of initial production.

Sir Mick Davis to be appointed Chairman of NextSource upon closing of the initial private placement.

Item 5. Full Description of Material Change

On Feb 8, 2021 the Company announced that it has entered into a binding agreement with Vision Blue Resources (“Vision Blue”), a private investment company created and led by Sir Mick Davis, former CEO of Xstrata Plc, to provide a financing package (the “Financing Package”) for total gross proceeds of US\$29.5M. The proceeds of the Financing Package will be used to bring the Company’s Molo graphite mine in Madagascar into full production, with targeted completion in the first half of 2022.

The US\$29.5 million Financing Package will fully fund construction of the Molo Graphite mine and will be completed in two tranches. The first tranche comprises an initial non-brokered, private placement equity investment of US\$6.1 million (C\$7.8 million) (the “Initial Private Placement”) through the issuance of 120,000,000 common shares of the Company at a price of C\$0.065 per share representing an approximate 16.7% equity ownership into NextSource.

Completion of the Initial Private Placement is subject to customary conditions. In connection with the Initial Private Placement, the Company has granted Vision Blue certain rights, subject to maintaining certain shareholding thresholds, including the right to appoint two directors to the Board of the Company, inclusive of Sir Mick Davis, who will be appointed Chairman of the Board at the time of closing of the Initial Private Placement. In addition, Vision Blue has been granted a right of first refusal to finance the expansion of the Molo Project as well as a right to participate in future equity financings on the same terms as such financing in order to maintain its ownership percentage in the Company.

The proceeds of the Initial Private Placement of approximately US\$6.1 million will allow the Company to immediately commence the construction phase of the Molo mine through the ordering of longer lead items for the processing plant and to fast track the completion of two technical studies. The studies will be commissioned in order to confirm the capital and operating costs for the next phase of mine expansion, and to construct a stand-alone, value-added graphite plant to produce spherical and purified graphite ("SPG") for lithium-ion batteries in electric vehicles ("EVs").

The Company expects that the Initial Private Placement will close prior to the end of February 2021.

The second tranche of the Financing Package will be completed through an additional private placement (the "Second Private Placement") of 232,142,857 units of the Company (the "Units") for additional gross proceeds of US\$12.4 million. Each Unit will be issued a price of C\$0.07 per Unit (subject to adjustment based on the US exchange rate) and will be comprised of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant will entitle Vision Blue to purchase one additional common share of the Company at a price of C\$0.10 per share for a period of two years following the closing of Second Private Placement. On completion of the Second Private Placement, Vision Blue will own approximately 37.0% of the issued and outstanding common shares of NextSource, or approximately 49.4% on a partially diluted basis, based on the current issued and outstanding common shares.

The securities acquired by Vision Blue will be subject to a 1-year lock-up from the closing of the Initial Private Placement with a periodic release schedule, which lock-up will terminate if the Second Private Placement does not occur for any reason. In addition, each of the Directors and Officers of the Company have agreed to similar lock-up periods for the securities that they hold.

The Second Private Placement is subject to the approval of a majority of the shareholders of the Company in accordance with the policies of the Toronto Stock Exchange at a special shareholder meeting (the "Special Meeting"). The Officers and Directors of the Company have entered into voting undertaking agreements pursuant to which each have agreed to vote in favour of the resolution at the Special Meeting. The Company will schedule the Special Meeting shortly and will issue a further news release announcing the details of the Special Meeting once finalized.

Completion of the Initial Private Placement and the Second Private Placement is subject to receipt of all necessary regulatory approvals including the approval of the Toronto Stock Exchange.

The parties have also entered into a secured royalty agreement (the "Royalty Agreement") pursuant to which Vision Blue will advance, subject to the satisfaction of certain conditions, a total of US\$11 million in exchange for a royalty in respect of sales of SuperFlake® graphite concentrate from the Molo Graphite Project.

Under the term of the Royalty Agreement, the Company will pay to Vision Blue the greater of: (i) US\$1.65 million or (ii) 3% of the gross revenues from SuperFlake® 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.

In addition, NextSource will pay to Vision Blue 1.0% of the gross revenues from sales of vanadium pentoxide ("V2O5") for a period of 15 years following commencement of production of V2O5.

Vision Blue will receive a 5% (US\$1.5 million) financing fee on the total US\$29.5 million investment, equating to US\$28 million in total net proceeds to NextSource. The financing fee will be payable only when the royalty financing is provided by Vision Blue.

The Company will utilise an all-modular build approach to constructing the Molo mine. Initial production is expected to be 17,000 tonnes per annum ("tpa") over the first two years of production followed by mine expansion in Year three. Offtakes are in place for more than 100% of initial production.

Not applicable.

Item 7. Omitted Information

Not applicable.

Item 8. Executive Officer

Marc Johnson
Chief Financial Officer
(416) 364-4911

Item 9. Date of Report

February 8, 2021.