

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

### Part I Reporting Issuer

1 Issuer's name  <b>NextSource Materials Inc.</b>		2 Issuer's employer identification number (EIN)  <b>20-0803515</b>	
3 Name of contact for additional information  <b>Investor Relations - Brent Nykoliation</b>	4 Telephone No. of contact  <b>(416) 364-4911</b>	5 Email address of contact  <b>info@nextsourcematerials.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact  <b>1001 - 145 Wellington Street West</b>		7 City, town, or post office, state, and ZIP code of contact  <b>Toronto, Ontario M5J 1H8 Canada</b>	
8 Date of action  <b>December 27, 2017</b>		9 Classification and description  <b>Common Shares</b>	
10 CUSIP number  <b>65343M100</b>	11 Serial number(s)  <b>N/A</b>	12 Ticker symbol  <b>OTCQB: NSRC; TSX: NEXT</b>	13 Account number(s)  <b>N/A</b>

### Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On December 27, 2017, pursuant to a plan of conversion (the "Plan"), NextSource Materials Inc., a Minnesota corporation (the "Company") filed Articles of Conversion pursuant to the Minnesota Business Corporations Act and Articles of Continuance pursuant to the Canada Business Corporations Act (the "CBCA") to change the jurisdiction under which the Company is incorporated from Minnesota to Canada (the "Redomicile"). In connection with the Redomicile, the articles of incorporation of the Company have been amended and amended and restated By-laws of the Company have been adopted. Each common share of the Company outstanding immediately prior to the effective time of the Redomicile was converted into one common share of the Company as redomiciled (the "Redomiciled Company"). Each option, warrant or other right to purchase common shares of the Company outstanding immediately prior to the effective time of the Redomicile was converted into one option, warrant or other right to purchase an equal number of common shares of the Redomiciled Company. Immediately following the Redomicile, former Company shareholders held 100% of the outstanding stock of the Redomiciled Company. The Redomicile is described in full in the proxy statement/prospectus of the Company dated as of November 1, 2017 and filed with the SEC on November 2, 2017 (the "Proxy"), which is available at [www.sec.gov](http://www.sec.gov).

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ The Company believes that the Redomcile should qualify as a tax-deferred reorganization within the meaning of Code Section 368(a). As a result, each holder of a common share of Company stock (a "Shareholder") should generally have a tax basis in the common shares of stock of the Redomiciled Company he or she was deemed to receive pursuant to the Redomicile equal to such shareholder's aggregate tax basis in the common shares of Company stock such shareholder was deemed to surrender in exchange therefor.

The Company further believes that the Redomciled Company should continue to be classified as a "U.S. domestic corporation" for U.S. federal income tax purposes following the Redomcile pursuant to Code Section 7874.

Shareholders should review the Proxy including the discussion therein under the heading "Material U.S. Federal Income Tax Considerations" and consult with their own tax advisors regarding the U.S. federal income tax consequences of the Redomcile.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ For purposes of calculating fair market value, the fair market value of the common shares of Company stock on December 27, 2017 is estimated at US\$0.05, which was the average of the high and low prices for common shares of Company stock on December 27, 2017.

Shareholders should consult with their own tax advisors to determine whether they are required to recognize any gain in connection with the Redomcile and what measure of fair market value is appropriate.

**Part II Organizational Action** *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ► The Company believes that the Redomcile should qualify as a tax-deferred reorganization within the meaning of Code Section 368(a) and that the Redomiciled Company should continue to be classified as a "U.S. person" for U.S. federal income tax purposes following the Redomicile. Consequently, the U.S. federal income tax consequences to Shareholders should be determined under Code Sections 354, 358, 1001, 1221 and 7874.

18 Can any resulting loss be recognized? ► If the Redomicile qualifies as a reorganization within the meaning of Code Section 368(a), then in general, each Shareholder who was deemed to receive common shares of stock of the Redomiciled Company pursuant to the Redomicile should not recognize any loss.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ► In general, any gain recognized should be reported by Shareholders for the taxable year which includes December 27, 2017 (e.g., a calendar year Shareholder would report the Redomicile on his or her federal income tax return filed for the 2017 calendar year).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
 Signature ► Marc Johnson Date ► Jan 8, 2018  
 Print your name ► Marc Johnson Title ► Chief Financial Officer

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	<u>John Hollinrake</u>	<u>John Hollinrake</u>	<u>8 Jan 2018</u>		<u>P01568530</u>
	Firm's name ► <u>Dorsey &amp; Whitney LLP</u>	Firm's EIN ► <u>41-0223337</u>		Firm's address ► <u>Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104</u>	
				Phone no. <u>(206) 903-8812</u>	