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Highlights:

- The updated Feasibility Study results verify positive economics for Phase 1 of the Molo mine, which will utilize a unique, fully-modular build approach taking into account current-day flake graphite prices.
- The updated Feasibility Study is based on Front End Engineering and Design (FEED), and Detailed Engineering studies as opposed to a Basic Engineering study.
- Phase 1 will consist of a fully operational and sustainable graphite mine with a permanent processing plant capable of producing approximately 17,000 tonnes per annum ("tpa") of high-quality SuperFlake™ graphite concentrate per year with a mine life of 30 years.
- A build cost of US$18.4 million confirms that the Molo Project will have the lowest capital mine cost (CAPEX) of any new and competing graphite project.
- Phase 1 will realize a pre-tax internal rate of return (IRR) of 25.2%, a post-tax IRR of 21.6%
- Project Operating costs (OPEX) include all-in costs for freight and insurance (CIF) to ship Molo SuperFlake™ concentrate to international European port (Rotterdam) and verifies Molo OPEX as one of the lowest in the industry on a full-cost, CIF basis.
- Phase 1 build time of 9 months
- Based on the positive results of the updated Feasibility Study, the Company will be initiating an economic analysis for eventual Phase 2 expansion that will incorporate its unique modular approach to produce approximately 50,000 tpa of finished SuperFlake™ graphite concentrate.

Nextsource Materials Inc. (TSX:NEXT)(OTCQB:NSRC) ("NextSource" or "the Company"), is pleased to report the positive results of its updated Feasibility Study ("updated FS") for its 100%-owned Molo Graphite Project in southern Madagascar. The updated FS was undertaken to reflect the Company's decision to revise Phase 1 of its Molo mine plan from a demonstration plant to a fully operational and sustainable graphite mine with a permanent processing plant capable of producing approximately 17,000 tpa of high-quality SuperFlake™ concentrate per year with a mine life of 30 years.

The updated FS for Phase 1 of the Molo Project was based on a Front End Engineering and Design study (FEED), and subsequent Detailed Engineering studies. The updated FS incorporates the procurement of all mining equipment, off-site modular fabrication and assembly, factory acceptance testing (FAT), module disassembly, shipping, plant infrastructure construction, onsite module re-assembly, commissioning, project contingencies and three months of capital. All capital and operating costs expressed below are considered to be accurate to +/- 10%.

Craig Scherba, P.Geo., President and CEO of NextSource commented,

"We are very pleased with the results of the updated Feasibility Study. It verifies that Phase one of our Molo mine plan is economically viable using an industry first, fully modular build approach under current and realistic market conditions and reaffirms the Company's strategy of using a two-phased approach to establish the Molo as a world-class producer of high-quality flake graphite. Phase one will be implemented with an incredibly low capital cost, competitive operating costs and with an initial production volume that can be easily absorbed into the current market. This will allow us to quickly penetrate the market, generate revenue and establish strong relationships with key buyers.

These results are a significant achievement given the very difficult reality that every junior graphite project is currently facing; depressed graphite prices coupled with high project capital costs that render almost every immerging graphite project as non-economical, and therefore non-fundable until market conditions improve. For Molo to realize a post-tax IRR of over 21% under these current market conditions is considerable and can be attributed to our unique modular build methodology, which provides us with a tremendous first-mover and economic advantage over other companies. Our end goal is Phase two production, where we can expect even better enhancements to the project economics through economies of scale, which is expected to further decrease operating costs on a per tonne basis. Based on the positive results of our updated FS, the Company will be initiating an economic analysis that will incorporate our unique modular approach for Phase 2 expansion, which will produce approximately 50,000 tpa of SuperFlake™."

As the Company did for its previous 2015 Molo FS, this updated FS uses an all-in OPEX cost for freight and insurance (CIF) to ship Molo SuperFlake™ concentrate to the end customer's port, which is how graphite is sold. As a conservative scenario, the CIF transportation costs were based on shipping to the European port of Rotterdam, Netherlands. Based on disclosed market information, no other competing graphite project who has released results of either a preliminary economic assessment or a feasibility study have included an all-in CIF transportation cost as part of their respective OPEX; they typically report an "at the plant" OPEX cost only, which results in a higher NPV and Internal Rate of Return.

The NPV and IRR stated below factors in an OPEX that accounts for all-in CIF transportation costs to customer port.

Updated Phase 1 Feasibility Study Results Highlights[1]	Pre-Tax	Post-Tax
NPV at 8% Discount Rate	$34.0 M	$25.5 M
Internal Rate of Return (IRR)	25.2%	21.6%
Payback Period	4.2 years	4.8 years
Average annual graphite concentrate production	17,000 tonnes	
Average production costs of graphite concentrate (at plant)	$432.92/ tonne	
Average production costs of graphite concentrate (Delivered CIF Port of Rotterdam)	$688.43 / tonne	
Weighted average selling price (in USD)	$1,014 / tonne	
Direct CAPEX	$14.5 M	
Indirect CAPEX	$0.4 M	
Environmental and Permitting	$0.7 M	
Owner's Costs	$1.1 M	
Contingency (10%)	$1.7 M	
Sub Total CAPEX	$18.4 M	
Working Capital (3 months)	$3.1 M	
Total CAPEX	$21.5 M	
Projected build period	9 months	

(1) *Unless otherwise noted, all monetary figures presented throughout this press release are expressed in US dollars (USD). The exchange rates used in the financial model are 12.85 South African Rand (ZAR) to US$1, moving in line with purchasing power parity.*

(2) *Direct CAPEX includes process equipment, civil & infrastructure, mining, buildings, electrical infrastructure, project & construction services.*

When compared with the results of the Company's previous 2015 Molo Feasibility Study ("2015 FS"), the following can be highlighted:

- By decreasing initial production from 53,000 tpa to 17,000 tpa, overall CAPEX has been reduced by over US$169M (US$18.4M versus US$188M);
- Dry stack tailings can be utilized for Phase 1 production instead of cyclone deposition, which significantly reduces the CAPEX associated with a conventional tailings deposition facility;
- Despite a smaller initial annual production of SuperFlake™ versus the 2015 FS, the total all-in OPEX for CIF delivery to customer port Rotterdam was reduced from US$709 per tonne of SuperFlake™ to $688;
- Head grade to the plant increased from 7.04% C to 8.1% carbon ("C")
- Total time to build and commission the Molo mine has been reduced from 18 months to 9 months;
- Number of on-site personnel to construct the Molo mine reduced from 1500 with a traditional 'stick-build' construction process to 50 with modular assembly;
- The updated FS uses a lower average weighted selling price of US$1014 to reflect current market conditions versus US$1694 used in the 2015 FS; and
- The updated FS assumes 100% equity funding, whereas the 2015 Molo FS assumed 50% debt funding on an eight year operational basis.

The selling price used in the updated FS is the volume weighted average sales price for the various flake sizes and grades of SuperFlake™ graphite concentrate that are expected to be produced from the Molo deposit. This price is based on current quotes and projected real (as opposed to nominal) estimates provided by UK-based Roskill Consulting Group Ltd ("Roskill"), who are recognized as a leader in providing independent and unbiased market research, pricing trends and demand and supply analysis for the natural flake graphite market.

No pricing premium for valued-added applications was applied on any sales. Furthermore, no financial or operational calculations and/or scenarios in the updated FS financial model with regards to downstream value-added processing of SuperFlake™ graphite concentrate were included. This includes purification, spherodization coating for battery-grade graphite and thermal expansion for specialty graphite applications, such as foils.

PHASE 1 MOLO OPEN PIT PROVEN AND PROBABLE MINERAL RESERVES [1]

The Mineral Reserves and Mineral Resources did not change as a result of the updated FS. As disclosed in the Company's 2015 Molo FS, the following are the proven and probable mineral reserves.

Category	Tonnage	C Grade (%)
Proven	14,170,000	7.00
Probable	8,367,000	7.04
Proven and Probable	22,437,000	7.02

(1) 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. Mineral Reserves are effective as of August 14, 2014.

MINERAL RESOURCES

The Molo project hosts the following mineral resources:
• Measured mineral resource of 23.62 MT grading 6.32% C.
• Indicated mineral resource of 76.75 MT grading 6.25% C.
• Inferred mineral resource of 40.91 MT at 5.78% C.

Effective date of the Mineral Resource tabulation is August 14, 2014. The Mineral Resources are classified according to the Canadian Institute of Mining definitions. A cut-off grade of 4% C was used for the "higher grade" zones and 2% C for the "lower grade" zones. Please 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 metre 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 above.

SENSITIVITY ANALYSES

The sales price of US$1014 per tonne used for the updated FS reflects current market conditions. Several analyst reports forecast an increase in selling prices of flake graphite that, should they materialize, would have an additional positive impact on the Molo Project's economics.

Discount Rate	Net Present Value (NPV)	
	Before Tax	After Tax
8%	$34.0 M	$25.5 M
10%	$24.8 M	$18.0 M
12%	$18.0 M	$12.4 M

PROJECT SUMMARY

Location

The Molo project is situated in the Tulear region of south-western Madagascar and is located 11.5km east of the town of Fotadrevo, covering an area of 62.5 hectares within the Company's overall property claim position of 425km^2. The Molo deposit itself is 220km by road from the port city of Fort Dauphin, where the Port of Ehoala, a modern deep-water port built by the World Bank and Rio Tinto in 2009, is located and will be used for the Project.

Mine & Processing Circuit

The updated FS considers an open pit, fully-modularized mining operation using a 100% owner-operated fleet that will process an average of 240,000 tonnes of ore per year of mill feed (ore) that will be processed on site. The processing plant will produce an average of 17,000 tonnes per year of finished SuperFlake™ concentrate. All supporting infrastructure including water, fuel, power, tailings and essential buildings are included. Permanent accommodation for Phase 1 will be supported by NextSources' existing camp located in the nearby town of Fotadrevo.

The Phase 1 modular mine will utilize two 1.4 megawatt diesel generators, with one running and one on standby. Water will be supplied from a well field that has been defined by drilling and geo-hydrological modelling. The processing plant will consist of conventional crushing, milling and flotation circuits followed by concentrate filtering, drying and screening.

Phase 1 will employ dry-stack tailings, which will forfeit the need for a wet tailings facility and is designed to accommodate the run-of-mine tonnage for the 30 year life of mine. This is based on a co-disposal strategy where the finer tails are deposited with a coarse mining waste product that optimizes the waste footprint and environmental impact. A wet tailings facility is not required at the Phase 1 tonnage, but feasibility level designs have been completed for a tailings dam, which will be required at higher tonnages. This has been done to ensure that environmental permitting is in place for the ultimate production throughput and scaling delays are minimized.

For the 30 year mine life of the project, the ore mined is expected to yield an average grade of 8.1% C. The ore will go through a process involving grinding, flotation, dewatering, drying and sieving/classification. The process flow sheet has been designed for the standard purity of 96% C for all flake sizes, and will be capable of reaching purities in excess of 98% C (as demonstrated in the 2015 Molo FS technical report). The final products will be bagged and shipped in containers to various markets via the ocean shipping port of Fort Dauphin.

The project will see the creation of approximately 170 direct jobs.

Metallurgy

The updated FS is based on a full suite of metallurgical test work performed by SGS Canada Metallurgical Services Inc. in Lakefield, Ontario, Canada. These tests included lab and bench scale process development work, a bulk sample/pilot plant program, and metallurgical variability testing. The overall graphitic carbon recovery into the final concentrate is 87.8%.

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	97.2
+150 mesh (medium flake)	15.5	97.3
+200 mesh (small flake)	10.1	98.1
-200 mesh (fine flake)	21.1	97.5

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

Social Responsibility and Environment

All environmental and social responsibility information for the Molo Project has been completed to Equator Principles, which are the standards adopted by the majority of international commercial banks, as well as the International Finance Corporation's (IFC) Performance Standards. They are the highest environmental and social standards in the world. These standards have been incorporated into the design of the Molo Project's facilities and operations given NextSources' commitment to follow international best practices. There is a global consumer shift to take social responsibility into account when developing projects and NextSource has worked hard to ensure that it met this requirement.

Community Relations

Since the beginning of the project in 2010, through the comprehensive stakeholder engagement process, NextSource has been intimately involved with the local communities and other stakeholders including the local authorities (Fokontany), regional, and state government in relation to the environmental, social and permitting processes.

Technical Report Filing

A National Instrument 43-101 technical report relating to the updated FS technical report, based on Phase 1 of the Molo mine plan and using a unique modular build design, will be posted on NextSource's website at www.nextsourcematerials.com and filed on SEDAR at www.sedar.com, within 45 days following this news release.

QUALIFIED PERSONS

The updated FS was prepared in accordance with National Instrument (NI) 43-101 standards by Mr. Johann de Bruin, PrEng. and 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 to be filed on SEDAR. . Mr. de Bruin, independent of the Company, is the qualified person who has reviewed and approved the technical information contained in this press release.

To learn more about NextSource's 100%-owned, feasibility-stage Molo Graphite Project in Madagascar, please visit the Company's website at www.nextsourcematerials.com.

ABOUT NEXTSOURCE MATERIALS INC.

Nextsource Materials Inc. is a mine development company based in Toronto, Canada, that is developing its 100%-owned Molo Graphite Project in southern Madagascar. The Molo Graphite Project is a feasibility-stage project and ranks as one of the largest-known and highest quality flake graphite deposits in the world.

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 DRA Projects (Pty) Limited" for certain other details and assumptions relating to the above mineral resource and reserve estimates and data verification procedures.

Safe Harbour: This press release contains statements that may constitute "forward-looking statements" within the meaning of applicable Canadian and United States securities legislation. Readers are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements are related to the results of the updated Feasibility Study, the results of the previous 2015 Molo Feasibility Study, funding of the development of the Molo Project, implementation and commencement of the build-out of the Molo Project, commencement of production at the Molo Project, commencement of procurement for mine infrastructure, the procurement of equipment to construct a mine, value engineering, any and all product test results and product analysis, and the permit application. These are based on current expectations, estimates and assumptions that involve a number of risks, which could cause actual results to vary and in some instances to differ materially from those anticipated by the Company and described in the forward-looking statements contained in this press release. No assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do so, what benefits the Company will derive there from. The forward-looking statements contained in this news release are made as at the date of this news release and the Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

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