

## **COMPENSATION COMMITTEE CHARTER**

### **Purpose**

The Compensation Committee (the "Committee") is appointed by the Board of Directors (the "Board") of NextSource Materials Inc. (the "Company") to:

1. Design compensation policies and programs intended to attract, retain and appropriately reward the executive officers in order to motivate their performance in the achievement of the Company's business objectives and align their interests with the long- term interests of the Company;
2. Determine the annual compensation of the Company's executive officers;
3. Determine the compensation of the directors; and
4. Recommend to the Board of Directors as a whole for its approval, the proposed annual compensation of the Company's executive officers and of directors.

### **Duties and Responsibilities**

The Committee is generally responsible for compensation of the executives and directors. The principal responsibilities and functions of the Committee are as follows:

1. Review and recommend for Board approval on an annual basis, or such other period it deems appropriate, the compensation structure and compensation for the CEO, including salary, bonus, perquisites, long-term incentives and equity-based compensation. The Board's annual performance evaluation of the Company and the CEO will be considered in setting the annual CEO compensation. The Committee shall take into consideration the compensation paid to other senior executive officers of the Company and the compensation of CEOs from an appropriate peer group within the mining industry.
2. Review and recommend for Board approval the compensation structure and compensation of senior executives, including salary, bonus, perquisites, long-term incentives and equity-based compensation. The Board's annual performance evaluation of the Company and executive performance will be considered in setting the compensation. The Committee shall take into consideration the compensation paid to other senior executive officers of the Company and the compensation of CEOs from an appropriate peer group within the mining industry.
3. Negotiate, draft and recommend for Board approval the employment agreements for the CEO and other senior executives, including appropriate termination clause and change of control provisions.
4. Review and recommend for Board approval the compensation structure and compensation of directors including director fees, bonus, perquisites, long-term incentives and equity-based compensation. The Board's annual performance evaluation of the Company and the Board evaluations will be considered in setting the director compensation.

5. Review and provide recommendations to the Board regarding management's decisions concerning the compensation structure and compensation of other members of management and of employees.
6. Review and provide recommendations to the Board regarding the awards of long-term incentives, share grants, stock options grants and all other forms of equity-based compensation under the Company's incentive-compensation plan, stock option plan, or equity-based plans.
7. Review industry trends in management compensation, and, when necessary or desirable, oversee the development of new compensation plans and approve the revision of existing plans.
8. Maintain a written CEO position description that includes the range of expertise, experience, skills and backgrounds required.
9. Maintain a written CEO succession plan and carry out its provisions, which include:
  - a. Continually identify and maintaining a pool of qualified CEO-ready candidates who could satisfy the CEO position description;
  - b. Evaluating potential candidates for CEO.
10. Provide the report on executive compensation required to be included in the Company's annual proxy statement.
11. Report to the Board on a regular basis and make such recommendations with respect to any of the above and other matters as the Committee deems necessary or appropriate.
12. Perform such other duties and responsibilities, consistent with this Charter, delegated to the Committee by the Board or required under the provisions of any compensation or benefit plan maintained by the Company.
13. Conduct an annual performance evaluation of the Committee and identify opportunities for improved effectiveness.

### **Composition**

The Committee will be comprised of three or more directors each of whom meets the independence requirements of National Policy 58-201. In the event of a dispute, determinations as to whether a particular director satisfies the requirements for membership on the Committee will be made by the Board.

Committee members shall be appointed by the Board and shall serve for such terms as the Board may determine, or until their earlier resignation, death or removal by the Board. Any member of the Committee may be removed by an ordinary resolution of the Board in its unfettered discretion without cause.

One member of the Committee shall be appointed as the Committee Chairperson, who shall preside at each meeting of the Committee. In the event that the Committee Chairperson is not present at a meeting, the other members of the Committee may designate another member as the acting chair of such meeting.

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.

### **Role of the Chair**

In addition to the duties and responsibilities assigned to members of the Committee, the Chair is responsible

for providing overall leadership to enhance the effectiveness of the Committee and manage the work assigned to it. In particular, the Chair shall have the following specific duties:

- Oversee the management of the activities of the Compensation Committee;
- Preside over the meetings of the Committee and encourage free and open discussions in all of its activities;
- Schedule and settle the agenda for Committee meetings with input from other Committee members, the Chair of the Board of Directors and management as appropriate and otherwise ensure that the members are properly informed and that sufficient and timely advance distribution of all information and materials is provided to them to form appropriate judgments and make all necessary decisions;
- Communicate with members of the Committee between meetings and administer the assigned performance management programs for directors;
- Liaise with the Board of Directors and senior managers and provide timely reports to them of Committee activities.

## **Meetings**

The Committee shall meet at least quarterly.

The time and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all things at such meetings shall be the responsibility of the Chair of 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.

All Committee members are expected to attend each meeting, whether in person, teleconference or other electronic method approved by the Committee. A minimum of two and at least 50% of the members present in person or by telephone shall constitute a quorum. For a quorum to exist, the majority of committee members that are present must not be Company' employees, Control Persons or officers or any of its Associates or Affiliates, (capitalized terms as defined by the TSX).

The Committee may invite such officers, directors and employees of the Company as it may see fit from time to time to attend meetings of the Committee and assist in the discussions and determinations being considered.

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. All determinations and recommendations for the Board shall be made by an ordinary resolution of the majority of its members present at a meeting duly called and held. A unanimous written resolution signed by all the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

Following a Committee meeting, the Committee Chair shall report on the deliberations and decisions of the Committee to the Board of Directors at the next meeting of the Board. The Committee shall keep and approve minutes of its meetings in which shall be recorded all action taken by it, which minutes shall be available as soon as possible to the Board of Directors and shall be added to the Company records by the Corporate Secretary.

## **Resources**

The Committee will have the resources and authority necessary to discharge its duties and responsibilities, including the authority to retain outside counsel or other experts or consultants as it deems appropriate.

Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

### **Reporting to the Board of Directors**

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 this 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.