

AUDIT COMMITTEE CHARTER

Purpose and Authority

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

1. Oversee the external audit process and communicate directly with the internal and external auditors.
2. Oversee the financial reporting and internal controls of the Company.
3. Oversee the management of financial and non-financial risks of the Company.
4. Recommend to the Board of Directors as a whole for its approval, the Company's quarterly and year-end financial statements.

The Committee has the authority to:

1. Conduct any investigation appropriate to the discharge of its responsibilities.
2. Engage independent counsel and other advisors as it necessary to carry out its duties;
3. Set and pay the compensation for any advisors employed by the Committee;

The Committee is a key component of the Company's commitment to maintaining a higher standard of corporate responsibility.

Duties and Responsibilities

1. Overseeing the External Audit Process

- a. 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.

2. 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.

3. Risk Management

- a. 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 that management has taken to minimize such risks.

4. Other Responsibilities

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

- b. 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 Audit 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.