



**COMPENSATION, CORPORATE GOVERNANCE AND NOMINATING
COMMITTEE CHARTER**

**KARNALYTE RESOURCES INC.
COMPENSATION, CORPORATE GOVERNANCE AND NOMINATING COMMITTEE
CHARTER**

Overall Purpose and Responsibilities

The Compensation, Corporate Governance and Nominating Committee (the “**Committee**”) shall assist the board of directors (the “**Board**”) of Karnalyte Resources Inc. (the “**Corporation**”) in fulfilling its obligations and oversight responsibility for matters relating to:

- (a) corporate governance practices, principles, guidelines and related policies;
- (b) nomination of candidates for election or appointment to the Board;
- (c) appointment of directors to committees of the Board;
- (d) composition and evaluation of the Board and committees of the Board;
- (e) integrity and ethics;
- (f) compensation; and
- (g) any other matters as the Board may request.

In this Charter, “**Committee Chair**” means the Chairperson of the Committee; “**Board Chair**” means the Chairperson of the Board; and “**CEO**” means the Chief Executive Officer of the Corporation.

Specific Responsibilities and Authority of the Committee

Subject to the Corporation’s Articles and By-Laws, the Committee has authority over the following areas of responsibility:

1. Board Governance

- (a) Review and recommend to the Board for approval:
 - (i) the Corporation’s approach to corporate governance, including practices, principles, guidelines and related policies and monitor compliance and report exceptions to the Board;
 - (ii) significant corporate policy addressing communication, disclosure and confidentiality of corporate or material information and monitor compliance and report exceptions to the Board; and
 - (iii) the required capabilities, expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.

- (b) Review annually the Code of Conduct (the “**Code**”), the Board of Directors Charter and the Charters for the committees of the Board, considering input from the Board and the relevant committees of the Board, and recommend to the Board for approval any required revisions.
- (c) Review communication and disclosure of the Corporation’s corporate governance practices and compliance with governance guidelines and any applicable regulatory or securities law.

2. **Board Orientation and Continuing Education**

- (a) Approve policies regarding orientation (including a process for director succession), training and continuing education of directors so that they may maintain and enhance their skills and abilities as directors and to ensure that their knowledge and understanding of the Corporation’s business remains current.
- (b) Take reasonable steps to ensure that all new directors receive a comprehensive orientation so that each director fully understands the nature and operations of the Corporation’s business, the role of the Board and the committees of the Board and the contribution that each director is expected to make (including, in particular, the commitment of time and resources that the Corporation expects from its directors).

3. **Nomination of Directors**

- (a) Prior to recommending proposed candidate(s) for nomination for election or appointment to the Board, adopt a process to:
 - (i) consider what competencies and skills the Board, as a whole, should possess; and
 - (ii) assess what competencies and skills each existing director possesses.
- (b) In consultation with the Board and the CEO, on an ongoing basis, identify individuals qualified to become new directors, based on:
 - (i) the personal attributes and qualifications of potential candidates, including their experience, expertise and industry knowledge; and
 - (ii) any legal requirements, including those related to director residency, independence and financial literacy.
- (c) Identify and recommend to the Board for approval the proposed candidate(s) for nomination for election to the Board at the next annual meeting of the shareholders of the Corporation or for appointment to fill any vacancy that is anticipated or has arisen on the Board. In making its recommendation, the Committee shall assess and consider:

- (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
- (ii) the competencies and skills that the Board considers each existing director to possess;
- (iii) the competencies and skills each new nominee will bring to the Board; and
- (iv) the ability of each new nominee to devote sufficient time and resources to his/her duties as a director of the Corporation.

4. Composition, Compensation and Evaluation of the Board and Board Committees

- (a) Review annually and recommend to the Board for approval, the size and composition criteria of the Board with a view to facilitating effective decision-making.
- (b) Review annually and make recommendations to the Board for approval the creation, disbanding, size and composition criteria of committees of the Board.
- (c) Review and recommend to the Board for approval position descriptions for the Board Chair and the chairperson of each committee of the Board.
- (d) Recommend to the Board, annually, the assignment of members to the committees of the Board and the chairperson for each committee.
- (e) Establish criteria for and annually conduct an evaluation of the Board, the Board Chair, the committees of the Board, and individual directors in order to assess the effectiveness of the Board as a whole, the Chairperson of the Board, each committee of the Board, and the contribution of individual directors.
- (f) Report to the Board the results of the evaluation of the Board, the Board Chair, each the committee of the Board, and individual directors.
- (g) Review periodically the level of compensation for the Board and its committees and make recommendations to the Board with respect thereto.

5. Ethical Oversight

- (a) Review and recommend to the Board for approval and disclosure any policy addressing corporate and individual integrity and ethical standards, including the Code, and take reasonable steps to monitor compliance.
- (b) Oversee compliance by the Corporation with applicable laws and regulations relating to corporate governance.

- (c) Review and report annually to the Board the findings of investigations of certain breaches of the Code.
- (d) Review and report to the Board on conflict of interest matters involving directors, as necessary, and if a conflict or a perceived conflict exists, advise the director to refrain from the activity or take other appropriate action to remedy the conflict or perceived conflict and undertake appropriate responsive measures.

6. Disclosure

- (a) Oversee the preparation of the portions of the Corporation's disclosure documents containing significant information relating to matters within the Committee's mandate.
- (b) Review any shareholder proposal or requisition received by the Corporation and recommend to the Board the response to be taken by the Corporation to any such shareholder proposal or requisition.

7. Remuneration

- (a) Establish an overall compensation policy for the Corporation and monitor its implementation, with special attention devoted to the senior officers.
- (b) Review and make recommendations to the Board periodically regarding the Corporation's remuneration and compensation policies, including short and long-term incentive compensation plans and equity-based plans, bonus plans, pension plans, executive stock option plans and grants and benefit plans (including the group life and health program).
- (c) Review and approve periodically all compensation arrangements with the CEO and the Chief Financial Officer of the Corporation.
- (d) Review the executive compensation sections disclosed in the proxy circular distributed to shareholders.

8. General Responsibilities

- (a) The Committee, through the Committee Chair, will provide a report to the Board at each regularly scheduled Board meeting outlining the results of the Committee's activities and any reviews it has undertaken.
- (b) The Committee may perform any other activities consistent with this Charter, the Corporation's By-Laws and applicable law, as the Committee or the Board deems necessary or appropriate.
- (c) The Committee will evaluate this Committee's performance and this Charter on a regular basis.

Committee Member Qualifications, Appointment and Removal

1. Composition of Committee

- (a) The Committee shall consist of three or more directors of the Corporation appointed by the Board.
- (b) At least 25% of the Committee members shall be resident Canadians.
- (c) Each Committee member shall be independent according to applicable independence requirements of stock exchanges on which the Corporation is listed and securities laws, rules and regulations.
- (d) Any member of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director of the Corporation. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all of its powers so long as a quorum remains. Subject to the foregoing, following the appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.
- (e) The members of the Committee shall be entitled to receive such remuneration for acting as members of the Committee as the Board may from time to time determine.

2. Committee Chair

- (a) The Board, upon recommendation of the Committee, shall designate one member of the Committee as the Committee Chair. The Committee Chair may be removed and replaced by the Board.
- (b) The Committee Chair shall have the duties and responsibilities set forth in Schedule 1 and incorporated by reference herein.

Structure and Operations

1. Meetings

- (a) The Committee shall meet at least one time per year and as needed.
- (b) A quorum for the transaction of business at any Committee meeting shall consist of a majority of the currently appointed members of the Committee and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.

- (c) The affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution. In case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote.
- (d) The Committee Chair will preside at all meetings of the Committee, unless the Committee Chair is not present, in which case the members of the Committee that are present will designate from among such members the chair for the purposes of the meeting.
- (e) The Chairperson of the Corporation and the CEO may attend any Committee meetings as may be appropriate but neither shall be permitted to vote at such Committee meetings unless he or she is a member of the Committee. The Committee may also invite such other directors, officers, employees and advisors of the Corporation to its meetings as it deems appropriate to attend any Committee meeting as may be appropriate as a non-voting participant. Notwithstanding the foregoing, the Committee will meet separately at each of its meetings with only Committee members present.
- (f) Agendas, approved by the Committee Chair, will be circulated to the Committee members along with background information on a timely basis prior to the Committee meetings. Minutes of all meetings of the Committee will be taken. The minutes of the Committee will be recorded and maintained and the Committee shall report to the Board on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.
- (g) Any issues arising from meetings of the Committee that bear on the relationship between the Board and management should be communicated to the Board Chair by the Committee Chair.

2. Delegation

The Committee may delegate any of its responsibilities and authority to a subcommittee comprised of one or more Committee members. The Committee remains accountable for the work and decisions of any subcommittee to which the Committee has delegated decision-making authority.

3. Outside Consultants and Advisors

The Committee, when it considers it necessary or advisable, may retain, at the Company's expense, outside consultants or advisors to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain and terminate any such consultants or advisors or any search firm to be used to identify director candidates, including sole authority to approve the fees and other retention terms for such persons.

SCHEDULE 1

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE CHAIR POSITION DESCRIPTION

The Committee Chair shall provide overall leadership to enhance the effectiveness of the Committee and be responsible to:

- (a) set the “tone” for the Committee and its members to foster ethical and responsible decision making, appropriate oversight of management and appropriate corporate governance practices;
- (b) encourage free and open discussion at meetings of the Committee;
- (c) schedule and set the agenda for Committee meetings with input from other Committee members, the Board Chair and management as appropriate;
- (d) facilitate the timely, accurate and proper flow of information to and from the Committee, and arrange sufficient time during Committee meetings to fully discuss agenda items;
- (e) report to the Board following each meeting of the Committee on the activities, findings and any recommendations of the Committee;
- (f) provide advice and counsel to the senior members of management in the areas covered by the Committee’s mandate;
- (g) proactively encourage training and education of the Committee and its members in areas falling within the Committee’s mandate;
- (h) take reasonable steps to ensure that Committee members understand the boundaries between the Committee and management responsibilities;
- (i) organize the Committee to function independently of management and take reasonable steps to ensure that the Committee has an opportunity at each of its meetings to meet in separate closed sessions without management present, and with or without internal personnel or external advisors as needed or appropriate;
- (j) lead the Committee in monitoring and evaluating the performance and effectiveness of the Committee as a whole and the contributions to the Committee of individual directors; and
- (k) take all other reasonable steps to ensure that the responsibilities and duties of the Committee, as outlined in its Charter, are well understood by the Committee members and executed as effectively as possible.