



**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**of**

**NORTH AMERICAN PALLADIUM LTD.**

**to be held on May 7, 2018**

**MANAGEMENT PROXY CIRCULAR**

**March 29, 2018**

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## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

March 29, 2018

NOTICE IS HEREBY GIVEN that an annual general meeting (the “**Shareholders’ Meeting**”) of the holders (the “**Shareholders**”) of the common shares (the “**Common Shares**”) of North American Palladium Ltd. (“**NAP**” or the “**Corporation**”) is scheduled to be held at Stikeman Elliott LLP, 53<sup>rd</sup> Floor, Commerce Court West, Suite 5300, 199 Bay Street, Toronto, Ontario at 10:00 a.m. (Toronto time) on May 7, 2018 (unless adjourned or postponed) for the following purposes:

- (a) to receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2017 and the auditors’ report on those statements;
- (b) to elect directors of the Corporation for the ensuing year;
- (c) to consider and, if deemed appropriate, approve the appointment of KPMG LLP, as auditors for the Corporation, and to authorize the directors of the Corporation to set the auditors’ remuneration; and
- (d) to transact such other business as may properly come before the Shareholders’ Meeting or any adjournment or postponement thereof.

The record date (the “**Shareholder Record Date**”) for entitlement to vote at the Shareholders’ Meeting has been set as March 27, 2018. At the Shareholders’ Meeting, each Shareholder as of the Shareholder Record Date will have one (1) vote for each Common Share held. The quorum for the Shareholders’ Meeting is the presence of one (1) or more persons present in person, each being a Shareholder entitled to vote or a duly appointed proxyholder, and collectively holding or representing at least 5% of the total number of outstanding Common Shares having voting rights at such meeting.

Proxies are being solicited by management of the Corporation. A form of proxy for the Shareholders’ Meeting accompanies this notice (“**Shareholder Proxy**”). Shareholders who are entitled to vote at the Shareholders’ Meeting may vote either in person or by Shareholder Proxy. Shareholders who are unable to be present in person at the Shareholders’ Meeting are requested to complete, execute and deliver the enclosed Shareholder Proxy to the Corporation’s registrar and transfer agent, Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1 by no later than 10:00 a.m. (Toronto time) on May 3, 2018, or if the Shareholders’ Meeting is adjourned or postponed, by no later than 48 hours prior to the time of such reconvened meeting (excluding Saturdays, Sundays and holidays). The Chairman of the Shareholders’ Meeting may waive or extend the time limit for the deposit of proxies. Beneficial owners of Common Shares registered in the name of a broker, custodian, nominee or other intermediary should follow the instructions provided by their broker, custodian, nominee or other intermediary in order to vote their Common Shares.

The Circular provides additional information relating to the matters to be dealt with at the Shareholders’ Meeting and should be reviewed carefully by the Shareholders.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) “*J. Peter Gordon*”

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J. Peter Gordon

Chairman of the Board

## GENERAL INFORMATION

### General

This management information circular (the "Circular") is furnished in connection with the solicitation of proxies by and on behalf of the management of North American Palladium Ltd. ("NAP" or the "Corporation"). No person has been authorized to give any information or to make any representations in connection with the shareholders' Meeting (as defined below) other than those contained in this Circular and, if given or made, any such other information or representation should be considered as not having been authorized.

NAP will be sending proxy-related materials to intermediaries for forwarding to non-objecting beneficial owners under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("NI 54-101"). Management of NAP intends to pay for intermediaries to forward to objecting beneficial owners (each, an "OBO") under NI 54-101 the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary*.

Unless otherwise indicated, the information in this Circular is dated as of March 29, 2018.

### Meeting

The shareholders' meeting (the "**Meeting**") is scheduled to be held on May 7, 2018 at Stikeman Elliott LLP, 53<sup>rd</sup> Floor, Commerce Court West, Suite 5300, 199 Bay Street, Toronto, Ontario at 10:00 a.m. (Toronto time) (unless adjourned or postponed) as set forth in the Notice of Meeting.

### Solicitation of Proxies

Management of NAP is soliciting proxies for use at the Meeting and has designated the individuals named on the enclosed forms of proxy as persons whom shareholders may appoint as their proxyholders. If a shareholder wishes to appoint an individual not named on the enclosed form of proxy to represent him, her or it at the Meeting such shareholder is entitled to attend, the shareholder may do so either (i) by crossing out the names on the enclosed form of proxy and inserting the name of that other individual in the blank space provided on the enclosed form of proxy or (ii) by completing another valid form of proxy. A proxyholder need not be a shareholder. If the shareholder is a corporation, its proxy must be executed by a duly authorized officer or properly appointed attorney.

It is expected that the solicitation will be made primarily by mail but proxies may also be solicited by telephone, or in person by directors, officers or employees of NAP without special compensation. NAP has requested brokers and nominees who hold common shares of the Corporation ("**Common Shares**") in their names to furnish the Circular and accompanying materials to the beneficial holders of the Common Shares and to request authority to deliver a proxy.

## SHAREHOLDER PROXIES

### **By Hand, by Courier or by Registered Mail:**

Computershare Investor Services Inc.  
8<sup>th</sup> Floor, 100 University Avenue  
Toronto, Ontario M5J 2Y1

**Any questions and requests for assistance may be directed to Computershare Investor Services Inc. at 1-800-564-6253 within North America or 1-514-982-7555 outside of North America.**

### **Notice-and-Access**

The Corporation is not relying on the notice-and-access delivery procedures outlined in NI 54-101 to distribute copies of proxy-related materials in connection with the Meeting.

### **Entitlement to Vote and Attend**

Those persons who are registered shareholders on the Shareholder Voting Record Date are entitled to attend and vote at the Meeting. Shareholders will be entitled to one (1) vote for each Common Share held on the Shareholder Voting Record Date.

### **Revocation of Proxies**

You can revoke your proxy at any time prior to its use. You may revoke your proxy by requesting, or having your authorized attorney request, in writing to revoke your proxy. This request must be delivered to NAP's address (as listed in this Circular) before the last business day preceding the day of the Meetings or to the Chairman of the Meetings on the day of the Meetings or any adjournment thereof immediately prior to the commencement or adjournment(s) thereof.

If you submit your proxy by telephone or Internet, you may revoke your proxy by entering the proxy system (telephone or Internet) in the same manner and submitting another proxy at any time up to and including the last business day preceding the date of the Meetings. A proxy submitted later will supersede any prior proxy submitted.

### **Voting of Proxies**

In addition to voting in person at the Meetings, you may vote by mail by completing the enclosed form of proxy and returning it in the enclosed envelope to Computershare Investor Services Inc., Proxy Department, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. **You may also appoint a person (who need not be a Shareholder), other than one of the directors or officers named in the form of proxy, to represent you at the Meetings by inserting the person's name in the blank space provided in the proxy and returning the proxy no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the commencement of the Meetings or any adjournment or postponement thereof.** You may also vote by telephone or via the Internet. To vote by telephone, in Canada and the United States only, call the toll-free number listed on the proxy from a touch tone phone. When prompted, enter your Holder Account Number and Proxy Access Number listed on the proxy and follow the voting instructions. To vote via the Internet, go to the website specified on the proxy and enter your Holder Account Number and Proxy Access Number listed on the proxy and follow the voting instructions on the screen. If you vote by telephone or via the Internet, do not complete or return the form of proxy.

To be effective, all forms of proxy must be deposited with Computershare Investor Services Inc. prior to 10:00 a.m. (Toronto time) on May 3, 2018 in respect of the Shareholders' Meeting (or, in the event

that the Shareholders' Meeting is adjourned or postponed, 48 hours prior to the time of the reconvened Shareholders' Meeting (excluding Saturdays, Sundays and holidays). Late proxies may be accepted or rejected by the Chairman of the Meetings at his or her discretion and the Chairman of the Meetings is under no obligation to accept or reject any particular late proxy. The Chairman of the Meetings may waive or extend the proxy cut-off without notice.

### **Non-Registered Holders**

Only registered holders of Common Shares on the Voting Record Date which is set out in the Notice of Meeting, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Common Shares beneficially owned by a holder (a "**Non-Registered Holder**") are registered either:

- in the name of an intermediary that the Non-Registered Holder deals with in respect of the Common Shares; or
- in the name of a depository such as CDS or DTC.

In accordance with Canadian securities law, NAP has distributed copies of the Notice of Meeting, this Circular and the forms of proxy (collectively, the "**Meeting Materials**") to CDS, DTC and intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use a service Corporation to forward the Meeting Materials to Non-Registered Holders.

Non-Registered Holders will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Non-Registered Holders should follow the procedures set out below, depending on which type of form they receive.

- A. Voting Instruction Form. In most cases, a Non-Registered Holder will receive, as part of the Meeting Materials, a voting instruction form. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the Non-Registered Holder's behalf), the voting instruction form must be completed, signed and returned in accordance with the directions on the form. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Non-Registered Holder's behalf), the Non-Registered Holder must complete, sign and return the voting instruction form in accordance with the directions provided for purposes of attending and voting at the meeting in person and a form of proxy, giving the right to attend and vote, will be forwarded to the Non-Registered Holder.

or

- B. Form of Proxy. Less frequently, a Non-Registered Holder will receive, as part of the Meeting Materials, a form of proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares, beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. If the Non-Registered Holder does not wish to attend and vote at the meeting in person (or have another person attend and vote on the Non-Registered

Holder's behalf), the Non-Registered Holder must complete the form of proxy and deposit it with the Corporation's transfer agent in accordance with the directions on the proxy. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Non-Registered Holder's behalf), the Non-Registered Holder must strike out the names of the persons named in the proxy and insert the Non-Registered Holder's (or such other person's) name in the blank space provided.

Non-Registered Holders should follow the instructions on the forms they receive and contact their broker or Intermediaries promptly if they need assistance.

### **Exercise of Discretion by Proxies**

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting on any motion, by ballot or otherwise, in accordance with any indicated instructions. **In the absence of such direction, such Common Shares will be voted FOR the resolutions referred to in the form of proxy.**

**The persons named in the enclosed proxy will have discretionary authority with respect to any amendments or variations of the matters referred to in the Notice of Meeting or any other matters properly brought before the Meeting or any adjournment or postponement thereof, in each instance, to the extent permitted by law, whether or not the amendment, variation or other matter that comes before the Meeting is routine and whether or not the amendment, variation or other matter that comes before the Meeting is contested.** At the time of printing this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of the Meeting.

### **Quorum and Voting Requirements**

#### **Shareholders' Meeting**

On March 29, 2018, 58,126,526 Common Shares were outstanding, each carrying the right to one (1) vote.

As of the Voting Record Date as set out in the Notice of Meeting, to the knowledge of the directors and officers of the Corporation, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Corporation carrying more than 10% of the rights attached to the voting securities of the Corporation, other than as set forth under the heading "Principal Holders of Voting Securities".

The quorum for the Meeting is the presence of one (1) or more persons present in person, each being a shareholder of the Corporation entitled to vote or a duly appointed proxyholder, and collectively holding or representing at least 5% of the total number of outstanding Common Shares having voting rights at such meeting.

### **Interest of Management and Others**

Other than Brookfield Capital Partners Ltd., management is unaware of any material interest, direct or indirect, of any "informed person" (as defined in NI 51-102), any associate or affiliate of any such informed person, or of NAP in any transaction since the beginning of the last completed financial year of NAP or in any proposed transaction that has materially affected or will materially affect NAP or any of its affiliates. See "Principal Holders of Voting Securities".

## BUSINESS OF THE ANNUAL MEETING OF SHAREHOLDERS

### 1. Presentation of Financial Statements

The audited consolidated financial statements of the Corporation for the financial year ended December 31, 2017, and the auditors' report thereon, will be placed before the Meeting.

The audited consolidated financial statements and management's discussion and analysis and the auditors' report thereon for the financial year ended December 31, 2017 of the Corporation are also included in NAP's 2017 Annual Report, which has been mailed to the Corporation's registered and beneficial shareholders who have requested these materials. Management will review NAP's consolidated financial results at the Meeting, and shareholders and proxyholders will be given an opportunity to discuss these results with management. The 2017 Annual Report is available on NAP's website at [www.nap.com](http://www.nap.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### 2. Election of Directors

It is proposed that the five (5) people listed under the heading "Election of Directors" on page 9 herein be nominated for election as directors of the Corporation to hold office until the next annual meeting or until their successors are elected or appointed, unless the director resigns or the office becomes vacant through death or any other reason, in accordance with the by-laws of the Corporation. Messrs. Gordon, Nowak, Jentz, Chambers and Fauquier are currently directors of NAP, and their terms of office will each expire at the Meeting unless they are re-elected. The articles of the Corporation provide for a board of directors (the "Board") consisting of a minimum of one (1) and a maximum of ten (10) directors. The Board has set the number of directors at five (5).

Management of the Corporation has been informed that each of the five (5) nominees would be willing to serve as a director if elected. However, in the event any such nominee is unable or unwilling to serve as a director, proxies will be voted in favour of the remaining nominees and for such other substitute nominee as the Board may designate.

On August 1, 2017, the Board adopted a policy providing that if any proposed nominee receives a greater number of votes "withheld" from his or her election than votes "for" such election at a shareholders' meeting, then such nominee is required to offer to resign. The Governance, Nominating and Compensation Committee of the Corporation will review any such offer of resignation and make a recommendation to the Board. The Board will determine whether to accept the resignation and will announce its decision within 90 days following the Meeting. If the Board rejects the offer, it will disclose the reasons why. If the Board accepts the offer, it may appoint a new director to fill the vacancy.

**Unless directed otherwise, the persons designated in the accompanying form of proxy intend to vote FOR the election of each of the proposed nominees.**

### 3. Appointment of Auditors

KPMG LLP ("KPMG") has been the auditors of the Corporation since June 23, 2004. It is proposed that KPMG be reappointed as the auditors of the Corporation to hold office until the next annual meeting of shareholders and that the Board be authorized to fix their remuneration.

**Unless directed otherwise, the persons designated in the accompanying form of proxy intend to vote FOR the appointment of KPMG as the auditors of the Corporation until the next annual**

**meeting of shareholders and to authorize the Board to fix their remuneration.** To be effective, the appointment of auditors must be approved by a majority of the votes cast in person or represented by proxy at the Meeting.

**4. Other Business**

Management is not aware of any other matters to come before the Meeting other than those set out in the attached Notice of Meeting. If other matters come before the Meeting, it is the intention of the persons named in the form of proxy to vote in accordance with their best judgment on such matters.

## ELECTION OF DIRECTORS

The table below sets forth information regarding the proposed nominees for election as directors (all of whom have agreed to stand for election) together with their municipality of residence, year in which they joined the Board, their independence status, areas of expertise, principal occupation(s) during the five preceding years and current Board committee memberships, as well as other public, private and not-for-profit affiliations. Also set forth are the number of Common Shares held by each such individual as of March 29, 2018.

	<b>J. Peter Gordon, Age: 57</b>	<b>Non-Independent</b>
	<b>Toronto, Ontario, Canada</b>	<b>Director since 2015</b>
	<p>Mr. Gordon is a Managing Partner at Brookfield Asset Management Inc. and has responsibility for the industrials portfolio of assets within Brookfield Asset Management's private equity group. Mr. Gordon has 35 years of industry experience in operations and finance with Brookfield companies. He holds an engineering degree from Queen's University and an MBA from the University of British Columbia.</p> <p>Shares: Nil Options: Nil</p>	
<b>Areas of Expertise</b>	<b>Board/Committee Memberships</b>	
Metals and mining, finance, private equity, mergers and acquisitions	Board of Directors: Chairman Member of the Corporate Governance, Nominating and Compensation Committee Member of the Technical, Environment, Health & Safety Committee	
	<b>Other Public Corporation Boards &amp; Committee Memberships</b>	
	Norbord Inc.	

	<b>David Nowak, Age: 48</b>	<b>Non-Independent</b>
	<b>Toronto, Ontario, Canada</b>	<b>Director since 2015</b>
	<p>Mr. Nowak is a Managing Partner at Brookfield Asset Management Inc. and has responsibility for transaction origination and execution for Brookfield Asset Management's private equity group. Prior to joining Brookfield Asset Management in 2011, he was a principal at a Toronto-based private equity firm. He holds a Bachelor of Laws from the University of Western Ontario and an MBA from Duke University where he graduated as a Fuqua Scholar.</p> <p>Shares: Nil Options: Nil</p>	
<b>Areas of Expertise</b>	<b>Board/Committee Memberships</b>	
Metals and mining, finance, private equity, mergers and acquisitions	Board of Directors Member of the Corporate Governance, Nominating and Compensation Committee Member of the Technical, Environment, Health & Safety Committee	
	<b>Other Public Corporation Boards &amp; Committee Memberships</b>	
	None	

	<b>John W. Jentz, Age: 47</b>	<b>Independent</b>
	<b>Toronto, Ontario, Canada</b>	<b>Director since 2014</b>
	<p>Mr. Jentz is currently Vice President, Corporate Development and Investor Relations at SEMAFO. He has over 20 years' experience in corporate finance and mergers and acquisitions, mostly within the mining sector. Previously, Mr. Jentz served as a senior member of the mining teams at both regional and global investment banking firms. A chartered accountant, he holds a B.Sc. degree in actuarial science from University of Western Ontario and an MBA from McMaster University.</p> <p>Shares: Nil Options: Nil</p>	
<b>Areas of Expertise</b>	<b>Board/Committee Memberships</b>	
Metals and mining, finance, private equity, mergers and acquisitions	Board of Directors	
	Chair of the Corporate Governance, Nominating and Compensation Committee	
	Member of the Audit Committee	
	Member of the Technical, Environment, Health & Safety Committee	
	<b>Other Public Corporation Boards &amp; Committee Memberships</b>	
	None	

	<b>Dean Chambers, Age: 63</b>	<b>Independent</b>
	<b>Toronto, Ontario, Canada</b>	<b>Director since 2015</b>
	<p>Mr. Chambers is a professional engineer and financial executive with over 35 years of business, technical and financial experience. In 2017, Mr. Chambers retired as Executive Vice President and Chief Financial Officer at Sherritt International Corporation, a major international resource company. Mr. Chambers continues to consult in the materials sector. Mr. Chambers' career as a senior executive in the mining and chemical industries includes positions with Dynatec Corporation, Falconbridge Limited and the The Dow Chemical Company. Mr. Chambers holds a Bachelor of Engineering and Management from McMaster University and is a charter member of the Institute of Corporate Directors.</p> <p>Shares: 2,000 Options: Nil</p>	
<b>Areas of Expertise</b>	<b>Board/Committee Memberships</b>	
Metals and mining, finance, executive management, engineering	Board of Directors	
	Chair of the Audit Committee	
	Member of the Corporate Governance, Nominating and Compensation Committee	
	Member of the Technical, Environment, Health & Safety Committee	
	<b>Other Public Corporation Boards &amp; Committee Memberships</b>	
	None	

	<b>Greg Fauquier, Age: 67</b>	<b>Independent</b>
	<b>Vancouver, British Columbia, Canada</b>	<b>Director since 2015</b>
	<p>Mr. Fauquier is a mining engineer with a broad range of management skills covering mining, process operations and development undertaken in both open pit and underground operations. Retired in 2017, Mr. Fauquier's career in mining spans 43 years, where he recently held the position of Global Managing Director for Hatch Ltd. a consulting engineering firm where he was responsible for mining and mineral processing, as well as the operational services. Prior to joining Hatch Ltd in 2003, Mr. Fauquier was the Senior Vice President of Barrick Gold Corporation where he was responsible for the U.S. and Peruvian operations. Mr. Fauquier holds a B.Sc. Mining from Queen's University.</p> <p>Shares: Nil Options: Nil</p>	
<b>Areas of Expertise</b>	<b>Board/Committee Memberships</b>	
Metals and mining, finance, executive management, engineering	Board of Directors Chair of the Technical, Environment, Health & Safety Committee Member of the Audit Committee Member of the Corporate Governance, Nominating and Compensation Committee	
	<b>Other Public Corporation Boards &amp; Committee Memberships</b>	
	McEwen Mining Inc.	

## DIRECTOR COMPENSATION AND OTHER INFORMATION

The compensation of non-executive directors is intended to attract and retain highly qualified individuals with the capability to meet the responsibilities of Board members and to closely align directors' interests with those of our shareholders.

### Review of Director Compensation

The table set forth below under "2017 Compensation Structure" sets out the annual retainers (annual retainers for the chairs of the Board of Directors and other committees of the Board are in addition to the base annual retainer) paid to directors of the Company during the year ended December 31, 2017. Directors do not receive meeting attendance fees.

Mr. J. Peter Gordon who is the Chairman of the Board and Mr. David Nowak who is a director, do not receive any compensation for their services to the Corporation due to the nature of their employment with the controlling shareholder of the Corporation, Brookfield Asset Management Inc., which indirectly controls approximately 92% of the issued and outstanding shares of the Corporation.

### 2017 Compensation Structure

The Corporation's directors received the following annual retainers and additional fees for their services as directors in 2017:

	<u>Compensation during the year ending December 31, 2017</u>
Director retainer (base)	\$65,000 per year
Chairman (additional base retainer)	\$10,000 per year
Audit Committee chair (additional retainer)	\$7,500 per year
Technical, Environment, Health & Safety Committee chair (additional retainer)	\$5,000 per year
Governance, Nominating and Compensation Committee chair (additional retainer)	\$5,000 per year

All retainers are paid on a quarterly basis. Directors are also reimbursed for out-of-pocket expenses incurred in attending meetings and otherwise carrying out their duties as directors of NAP. If a director is called upon to dedicate a significant amount of time to perform duties above and beyond those described in the Board and committee mandates, the Board may approve additional compensation for the director(s) provided that: (i) the additional compensation amount is approved in advance of the work being completed; and (ii) the additional compensation does not impair the director's independence, as such term is defined in National Instrument 52-110 – *Audit Committees* ("NI 52-110").

### 2018 Compensation Structure

For 2018, the annual base retainer was maintained at \$65,000.

### Compensation of Directors

The following table sets forth all compensation provided to the Corporation's directors for the year ended December 31, 2017.

## Director Compensation Table

Name	Committee Memberships <sup>(1)</sup>	Fees earned <sup>(2)</sup> (\$)	Share-based awards (\$)	Option-based awards (\$)	All other compensation (\$)	Total (\$)
Chambers, Dean	Audit (Chair), Gov, Tech	72,500	Nil	Nil	Nil	72,500
Gordon, Peter J.	Gov, Tech	Nil	Nil	Nil	Nil	Nil
Fauquier, Gregory	Tech (Chair), Audit, Gov	70,000	Nil	Nil	Nil	70,000
Jentz, John W.	Gov (Chair), Audit, Tech	70,000	Nil	Nil	Nil	70,000
Nowak, David	Gov, Tech	Nil	Nil	Nil	Nil	Nil

(1) NAP Committees Legend:

Audit = Audit Committee

Gov = Governance, Nominating and Compensation Committee

Tech = Technical, Environment, Health & Safety Committee

(2) Fees earned are equal to the cash portion of the base retainer plus additional retainer for committee chair. Fees to Mr. J. Peter Gordon and Mr. David Nowak were waived in 2017 and 2016.

## Outstanding Option-based and Share-based Awards

On March 24, 2016, the Corporation adopted a stock option plan (the “**Stock Option Plan**”) pursuant to which a maximum of 5,000,000 common shares or 8.60% of the current issued and outstanding common shares of the Corporation may be reserved for issuance pursuant to the exercise of options.

The previous stock option plan of the Corporation was terminated as a result of a plan of arrangement implemented by the Corporation effective as of August 6, 2015 (the “**Arrangement**”) whereby: (i) all stock options issued and outstanding at the effective time of the Arrangement were cancelled for no consideration and the Corporation’s stock option plan, as amended and restated in 2013 and further amended in 2014 was terminated; and (ii) all restricted share units (“**RSUs**”) issued pursuant to the Corporation’s former restricted share unit plan (the “**RSU Plan**”) whether or not vested, were transferred to the Corporation without any action on behalf of the respective holders thereof in exchange for such number of common shares of the Corporation as were subject to the RSUs immediately prior to the effective time of the Arrangement and the RSU Plan was terminated.

## Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the Corporation’s knowledge, as at March 29, 2018 or within the last ten years, no proposed director of the Corporation is or has been:

- (a) a director, chief executive officer or chief financial officer of any Corporation (including the Corporation):
  - (i) subject to an order (including a cease trader order, or any order similar to a cease trade order or an order that denied the relevant Corporation access to any exemption under securities legislation) for a period of more than 30 consecutive days, that was issued

while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

- (ii) subject to an order (including a cease trade order, an order similar to a cease trade order or an order that denied the relevant Corporation access to any exemption under securities legislation) for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in a capacity as a director, chief executive officer or chief financial officer; or
- (b) a director or executive officer of any Corporation (including the Corporation), that while that person was acting in that capacity or within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets,

except as follows:

J. Peter Gordon served as a director of Fraser Papers Inc. ("**Fraser**") from 2007 to February 2011. In June 2009, Fraser initiated a court-supervised restructuring under the *Companies' Creditors Arrangement Act* (Canada) and also filed for protection pursuant to Chapter 15 of the U.S. Bankruptcy Code. As part of its restructuring, Fraser sold all of its operating assets and distributed the proceeds from the sale. Fraser's common shares were suspended from trading on the TSX on June 23, 2009 and delisted on July 22, 2009. On March 10, 2011, the Ontario Securities Commission issued a cease trade order against Fraser, and on June 23, 2011, Fraser was dissolved.

Mr. Jentz was a director of the Corporation prior to the completion of the recapitalization transaction that was completed on August 6, 2015 and approved at a meeting of the convertible debentureholders of the Corporation and at an annual and special meeting of shareholders of the Corporation on July 30, 2015. The recapitalization transaction was accomplished by way of a plan of arrangement and resulted in the issuance of shares in exchange for debt, among other things.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation and the Board recognize the importance of corporate governance to the effective management of the Corporation and to the protection of its employees and shareholders. The following is a description of the Corporation's corporate governance practices.

### **Independence of the Board**

The Board has determined that a majority of the director nominees (three of five), Messrs. Jentz, Chambers and Fauquier, are independent within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”). Under NI 58-101, a director is considered to be independent if he or she has no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which could, in the view of the Corporation's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement. In addition, certain individuals are deemed, for the purposes of NI 58-101, to have material relationships with the Corporation, including any individual who has been an employee or executive officer of the Corporation within the last three years.

As of the date of this Circular, Messrs. Gordon and Nowak are not considered to be independent, as both are employed by Brookfield Asset Management Inc. (which indirectly controls approximately 92% of the issued and outstanding shares of the Corporation (on a non-fully diluted basis)). See “Principal Holders of Voting Securities”.

The Board fosters independence from management of the Corporation by regularly excusing management at the end of most Board meetings to facilitate more candid discussions. The Board regularly holds in-camera sessions, without management and with independent directors only. The Board provides leadership opportunities to its independent directors through committee chairman appointments and by providing independent directors with the opportunity to recommend agenda items for consideration at Board meetings.

The Board believes it is independent of management.

## Board and Committee Meetings Attendance

The Board held 8 meetings between January 1, 2017 and December 31, 2017, including a mine site trip conducted by the Technical, Environment, Health & Safety Committee to review operations and meet directly with mine site personnel. The committees of the Board held, in aggregate of 5 meetings.

The following table describes the attendance records at Board and committee meetings for each director in 2017.

<u>Director</u>	<u>Board of Directors Meetings</u>	<u>Audit Committee Meetings</u>	<u>Governance, Nominating and Compensation Committee Meetings</u>	<u>Technical, Environment, Health and Safety Committee Meetings</u>
Chambers, Dean	8 of 8	5 of 5	1 of 1	3 of 3
Gordon, Peter J.	8 of 8	N/A	1 of 1	3 of 3
Fauquier, Gregory	5 of 8	2 of 5	1 of 1	3 of 3
Jentz, John W.	8 of 8	5 of 5	1 of 1	3 of 3
Nowak, David	7 of 8	N/A	1 of 1	2 of 3

## Mandate of the Board of Directors

The Board has a written mandate, the full text of which is included in this Circular as Appendix "A". In fulfilling its mandate, the Board, among other matters, is responsible for: reviewing the Corporation's overall business strategy and its annual business plan; identifying principal risks and implementing systems to manage those risks; assessing management's performance against approved business plans and industry standards; appointing officers and reviewing succession planning; developing a communication policy for Shareholders; and overseeing the integrity of internal control and management information systems.

Board meetings are held at least once per quarter, and at each meeting there is a review of the business of the Corporation. The frequency of meetings and the nature of the Board and committee items considered vary depending on the activities and priorities of the Corporation.

## Interests of Directors in Competing Businesses

From time to time, potential conflicts may arise to which the directors of the Corporation are subject in connection with the business and operations of the Corporation. The individuals concerned are governed by applicable law and the Corporation's Code of Conduct (defined below). As of the date hereof, no directors of the Corporation hold positions with other companies that explore for or produce platinum group metals or have other business interests, which may potentially conflict with the interests of the Corporation.

## Position Descriptions

The Board has written descriptions of the duties of each of the Chairman of the Board and the President and Chief Executive Officer, as well as written charters for each standing committee. The Chair of each committee presides at all meetings of the committee, is responsible for ensuring that the work of

the committee is well organized and proceeds in a timely fashion and reports on the activities of the committee to the Board. The role and responsibilities of the chair of each committee of the Board is to effectively manage and provide leadership to the committee in the performance of its duties as set out in the committee's written charter.

### **Orientation and Continuing Education**

The Governance, Nominating and Compensation Committee is responsible for overseeing the development and implementation of orientation programs for new directors and continuing education for all directors. New members to the Board will possess considerable knowledge of their duties and obligations as a director through their work experience and membership on boards of directors of other issuers. The Governance Nominating and Compensation Committee is responsible for ensuring that new members are provided with the necessary information about the Corporation, its business and the factors that affect its performance.

The Corporation maintains a collection of director orientation materials, which include a Board governance manual, a Board mandate and mandates of the Board's committees. A copy of such materials is given to each director and is available on the Board's internal web portal. The materials are updated as required.

As required, the Corporation circulates materials and provides verbal updates to the Board on issues of importance, covering topics such as corporate governance, securities law, litigation precedents, fiduciary duties of directors, and developments specific to the mining industry. In addition, the Corporation provides extensive reports on all operations to the directors at each quarterly Board meeting and conducts site tours for the directors.

The Governance, Nominating and Compensation Committee conducts an annual assessment to help identify opportunities for continuing Board and director development.

### **Code of Conduct**

On March 24, 2016, the Board adopted a revised code of conduct for its employees, officers and directors (the "**Code of Conduct**"), a copy of which is available on the Corporation's website at [www.nap.com](http://www.nap.com). Under the Code of Conduct and the Corporation's Whistleblower Policy (as explained below), all employees, officers and directors are required to report complaints or concerns regarding accounting, internal controls and auditing matters, non-compliance with the Code of Conduct, and unethical or illegal behaviour.

All of the Corporation's directors, officers and employees are expected to be familiar and comply with the Code of Conduct in the daily performance of their duties with the Corporation.

The Corporation strives to foster a business environment that promotes integrity and deters unethical or illegal behaviour. The Code of Conduct sets out the guidelines and principles that govern the Corporation's business conduct, including the standards expected of individuals in protecting the Corporation's assets from improper use, safeguarding the Corporation's proprietary and confidential information, conducting business dealings in a manner that preserves the Corporation's integrity and reputation, and complying with all applicable laws.

The Code of Conduct strongly encourages all individuals to make full and timely disclosure of any actual or potential conflicts of interest to provide an opportunity to obtain advice and to resolve actual or potential conflicts of interests in a timely and effective matter. In the case of directors and

officers, the Code of Conduct requires any potential conflicts of interest to be disclosed in writing to the Board.

Specific management representatives have been designated for each office and site for handling communications regarding non-compliance with the Code of Conduct and unethical or illegal behaviour. If a management representative concludes that a complaint or concern might be covered by the Corporation's Whistleblower Policy, the complaint or concern must be reported to the Chair of the Audit Committee. Reports may also be made directly to the Chair of the Audit Committee by telephone, in writing, by email or by confidential fax.

The Board has also adopted a whistleblower policy (the "**Whistleblower Policy**") to provide employees of the Corporation with a process for disclosing complaints or concerns regarding perceived or suspected: (i) questionable accounting, internal controls or auditing processes; (ii) non-compliance with the Code of Conduct; and (iii) unethical or illegal behaviour. The Whistleblower Policy outlines the process for reporting a complaint or concern, as well as who will deal with complaints and how each complaint is expected to be handled. The Whistleblower Policy allows employees to report concerns anonymously through a website or by telephone via a toll free number, both of which are administered by an independent third party service provider. Complaints submitted to the third party service provider are communicated to the Chair of the Audit Committee.

### **Board Committees**

The Board has established three committees to assist in the fulfillment of its mandate: the Audit Committee; the Governance, Nominating and Compensation Committee and the Technical, Environment, Health & Safety Committee.

For practical purposes, given that the Board is comprised of only five members, the Board utilizes a "committee of the whole" approach for discussion and deliberation, where committee meetings are scheduled and convened within each meeting of the full board. In the case of the Audit Committee, only the three independent directors are members and allowed to vote on matters that come before the committee. All five directors are members of the other two committees.

From time to time, *ad hoc* committees of the Board may be constituted to deal with special requirements of the Corporation.

#### *Audit Committee*

For the year ended December 31, 2017 the audit committee (the "**Audit Committee**") was comprised of Messrs. Chambers (Chair), Fauquier and Jentz. Each director who served on the Audit Committee in 2017 was independent as such term is defined in NI 52-110 and was financially literate.

The Audit Committee meets with the Corporation's auditors before the submission of audited annual financial statements to the Board and otherwise as deemed necessary. The Audit Committee is responsible for assessing the performance of the Corporation's auditors and for reviewing the Corporation's financial reporting and internal controls. The Audit Committee has adopted a mandate, ratified by the Board, which describes the roles and responsibilities of the members of the Audit Committee. The text of the Audit Committee's charter can be found under the heading "Audit Committee Mandate" in the Corporation's most recently filed Annual Information Form, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

In 2017, the Audit Committee held five (5) meetings.

The aggregate fees charged to the Corporation by the external auditors for the years ended December 31, 2017 and December 31, 2016 are as follows:

Type of Service	Fees Paid to Auditor in Year Ended December 31, 2017 (\$)	Fees Paid to Auditor in Year Ended December 31, 2016 (\$)
Audit Fees <sup>(1)</sup>	335,000	313,000
Tax Fees <sup>(2)</sup>	100,000	65,000
<b>TOTAL</b>	<b>435,000</b>	<b>378,000</b>

(1) **“Audit Fees”** include fees necessary to perform the annual audit and any quarterly reviews of the Corporation’s financial statements. This includes fees for accounting consultations on matters reflected in the financial statements. This also includes audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) **“Tax Fees”** include fees for professional services rendered by the Corporation’s auditors for tax compliance, tax advice and tax planning.

***Governance, Nominating and Compensation Committee***

For the year ended December 31, 2017 the Governance, Nominating and Compensation Committee (the **“Governance Committee”**) was comprised of Messrs. Jentz (Chair), Chambers, Fauquier, Gordon and Nowak.

The Governance Committee is charged with assisting the Board in fulfilling its oversight responsibilities to ensure that the Corporation has an effective corporate governance regime. In furtherance of this role, the Governance Committee (i) formulates formal guidelines on corporate governance to provide appropriate guidance to the Board and the directors as to their duties; (ii) ensures that such guidelines, once adopted by the Board, are implemented and that the directors and the Board as a whole comply with such guidelines; (iii) reviews such guidelines annually and recommends changes when necessary or appropriate; and (iv) assesses the size, composition and dynamics of the Board and reports to the Board with respect to appropriate candidates for nomination to the Board.

The Governance Committee also considers the adequacy and form of compensation of directors and makes recommendations to the Board. The Governance Committee oversees periodic, independent reviews of director compensation of comparable companies and the responsibilities and risks involved in being an effective director, in assessing realistic compensation levels for the directors of the Corporation. See also *“Executive Compensation – Role of the Governance, Nominating and Compensation Committee”* and *“ – Compensation Benchmarking.”*

In 2017, the Governance, Nominating and Compensation Committee held one (1) meeting.

***Technical, Environment, Health and Safety Committee***

For the year ended December 31, 2017 the Technical, Environment, Health and Safety Committee (the **“Technical Committee”**) was comprised of Messrs. Fauquier (Chair), Chambers, Gordon, Jentz and Nowak.

The purpose of the Technical Committee is to assist the Board in its oversight of operational risks, as well as on matters concerning the environment, health and safety, exploration, mining, metallurgy and other technical issues.

In 2017, the Technical Committee held one (1) meeting.

### **Assessments**

The Board as a whole is responsible for assessing its own performance. The Governance Committee believes that the size of the Board and the qualifications, skills and experience of the Board members are appropriate to effectively carry out the duties and responsibilities of the Board.

### **Term Limits**

The Board believes that director term limits can promote an appropriate level of board renewal and in doing so provide opportunities for qualified board candidates. Pursuant to the Corporation's Board mandate, a director is required to submit to the Board his or her resignation 15 years after joining the Board. The Governance Committee will review the offer of resignation and make a recommendation to the Board. The Board will determine whether to accept the resignation as soon as possible, and in any event within 90 days of the offer of resignation.

### **Women on the Board and in Executive Offices**

The Corporation has not adopted a written policy specifically relating to the identification and nomination of women directors. While the primary objectives of the Governance Committee are to ensure consideration of individuals who are highly qualified, based on their talents, experience, functional expertise and personal skills, character and qualities, the Governance Committee will balance these objectives with the importance of identifying and promoting individuals who are reflective of diversity for nomination for election to the Board and executive management level. In particular, the Governance Committee will consider the level of representation of women and other diverse candidates on the Board when making recommendations for nominees to the Board.

As at the date of this Circular, no woman is a current member of the Board and no woman holds an executive position.

## **EXECUTIVE COMPENSATION**

### **Compensation Committee Report**

The Corporation's approach to executive compensation is designed with the following objectives in mind:

- Aligning the interests of executives with the short-term and long-term interests of shareholders;
- Linking executive compensation to the performance of both the Corporation and the individual;
- Emphasizing variable compensation to reinforce pay-for-performance through achievement of current year corporate objectives and progressing longer-term strategies; and
- Compensating executives at a level and in a manner that ensures the Corporation is capable of attracting, motivating and retaining qualified personnel.

## **2017 Compensation Decisions**

In determining executive compensation for 2017, the Governance Committee took into consideration corporate performance and individual performance. The Corporation's approach to executive compensation is described in greater detail below under "Compensation Discussion and Analysis".

### **Role of the Governance, Nominating and Compensation Committee**

One of the roles of the Governance Committee is to undertake periodic, independent reviews of market conditions to ensure that the executive officers of the Corporation are paid competitively relative to other comparable participants in the industry. When deemed necessary, the Governance Committee may call upon outside resources to assist with these reviews and to ensure that the executive compensation packages available to executive officers are sufficient, without being excessive, to retain the existing complement of executive officers and to recruit others into this group as an integral part of facilitating and sustaining the advancement of the Corporation's strategic objectives and its ongoing operations. Similarly, the Governance Committee reviews and ensures that the directors' compensation packages are competitive in light of the responsibility and the time commitment required from directors relative to other comparable participants in the industry. Based on such reviews, the Governance Committee makes recommendations to the Board with respect to changes to executive compensation and director compensation. For more information regarding the Governance Committee, see "Statement of Corporate Governance Practices – Governance, Nominating and Compensation Committee in this Circular.

In assessing 2017 performance and determining appropriate compensation levels, the Governance Committee considered, among other things: safety and environment, operating expenditures, capital expenditures, production, execution of a long-term tailings management plan, exploration success and individual objectives.

## COMPENSATION DISCUSSION AND ANALYSIS

The primary focus of the Corporation's compensation strategy is to provide a comprehensive executive compensation package designed to attract and retain executive officers while taking into consideration the overall strategies and objectives of the Corporation. The compensation strategy also recognizes the importance of balancing the financial interests and objectives of executive officers and other members of senior management with the financial interests and objectives of shareholders.

The Corporation's compensation policy in respect of executive compensation features three major measurement indicia:

- performance of the Corporation;
- performance of the employee; and
- compensation paid to employees with similar responsibilities and experience in comparable companies.

The performance of the Corporation is evaluated by comparing its performance against targeted performance for a given period and by ascertaining whether the Corporation met its objectives. The performance of the employee is measured by evaluating the individual's contribution to the performance of the Corporation in respect of corporate objectives as well as role-specific objectives and leadership factors. The amount of bonuses paid to the Named Executive Officers ("NEO") (as such term is defined in Form 51-102F6 - *Statement of Executive Compensation*) for 2017 was based on each Named Executive Officer's performance against his or her short-term incentive plan ("STIP") objectives. See "Short-Term Incentives" below. With respect to executive compensation, significant emphasis is placed on awarding a proper compensation mix, including cash remuneration in the form of competitive base salaries, annual bonuses, and long-term incentives in the form of stock options.

### **Elements of Executive Compensation**

Compensation of our NEOs includes the following components:

- base salary;
- short-term incentives; and
- long-term incentives.

The sum of these three compensation components equals total direct compensation (as such term is defined in Form 51-102F6 - *Statement of Executive Compensation*). See "Compensation of NEOs" below.

### **Compensation Mix**

The Governance Committee believes that the three compensation elements, when combined, form an appropriate mix of compensation. The elements provide competitive salary, link executive compensation to corporate and individual performance (which rewards behaviour that creates long-term value for shareholders and other stakeholders), and encourage retention with time-based vesting attached to long-term incentives.

For the Corporation's NEOs, the compensation mix is established with an emphasis on variable (or "at risk") pay, which is not guaranteed, including a strong equity-linked component. The total value is

weighted towards “at-risk” variable compensation, which is based on performance and ties total direct compensation to the achievement of current and longer-term corporate objectives and strategies.

## **2017 Total Direct Compensation**

### ***Base Salary***

Base salaries are reviewed on an annual basis for each NEO and adjusted where it is deemed necessary. In order to ensure that base salaries are competitive relative to similar positions within the mining industry in Canada, industry salary surveys are reviewed. Other considerations taken into account when examining base salaries include: years of experience, the contribution which the NEO can make and has made to the success of the Corporation, the level of responsibility and authority inherent in the NEO’s job, and leadership qualities of the individual.

### ***Short-Term Incentives***

The Corporation has a STIP developed by the Governance Committee and approved by the Board, pursuant to which NEOs are eligible for an annual bonus calculated as a percentage of their annual base salary if certain performance criteria prescribed by the STIP are satisfied. Short-term incentives for NEOs are based on two factors, namely (i) the achievement of specific corporate objectives, and (ii) the executives’ individual performance. For 2017, the weighting for each element was 75% and 25% respectively, for the President and Chief Executive Officer, 60% and 40% respectively, for the Vice President, Exploration, and 50% and 50%, respectively, for the Vice President, Finance and Chief Financial Officer. The evaluation of NAP’s 2017 corporate performance is based on achievement of specific targets such as safety and environment, operating expenditures, capital expenditures, production, execution of a long-term tailings management plan and exploration success. The individual performance component is more subjective and is based on individual goals established at the beginning of the year for each executive, which are linked to the achievement of the Corporation’s goals.

NAP’s incentive compensation policy provides for targets for short-term incentive compensation as a percentage of base salary of 75% for the President and Chief Executive Officer, 50% for the Vice President, Exploration and 50% for the Vice President, Finance and Chief Financial Officer. These targets are then multiplied by a performance factor (ranging from 0.7 to 1.2) to arrive at a final bonus as a percentage of salary. The performance factor is designed to provide the flexibility to recognize exceptional performance of an executive and is determined by the Governance Committee with respect to the President and Chief Executive Officer, and jointly by the Governance Committee and the President and Chief Executive Officer for the remaining NEOs. The performance factor, together with the targets, creates a limit on the annual incentive compensation as a percentage of base salary. The following formula demonstrates how bonuses are calculated:

$$[(\text{Corporate Component} \times X\%) + (\text{Individual Component} \times Y\%)]$$

$$\times \text{Executive Target Percentage} \times \text{Performance Factor}$$

$$= \text{Bonus as a Percentage of Salary}$$

*X and Y vary depending on the Executive's position, and equal 100%*

The most significant performance factors underlying 2017 corporate objectives were operating expenditures, capital expenditures and production and execution of a long-term tailings management plan. Overall, the majority of the 2017 corporate and individual performance criteria were met.

Ultimately, the Governance Committee uses its discretion at the end of the year when comparing actual achievements against the performance criteria prescribed by the STIP. The Governance Committee believes that rigid formulas can occasionally lead to an unwarranted result that does not accurately reflect performance and believes that the discretion of the Board should be the ultimate determinant of final, overall compensation within the context of pre-determined guidelines. See “Summary Compensation Table” in this Circular for actual bonus amounts paid to NEOs for 2017, as set out under the “Non-equity incentive plan compensation – Annual incentive plans” column of the table.

### *Long-term Incentives*

Long-term incentives such as stock options are a means of aligning the compensation of executive officers with the performance of the Corporation and the interests of shareholders. Factors taken into account in determining whether to grant stock options to an executive officer and in determining the number of stock options granted include: the relative position of the individual executive officer, the contribution made by that officer during the review period, the number of stock options previously granted, and the resulting level of total compensation in relation to the executive officer’s counterparts in the mining industry. Executive officers may also participate in the Corporation’s RRSP plan, under which the Corporation makes matching contributions on behalf of the employee in, at the Corporation’s discretion, cash, common shares issued from treasury, or a combination thereof.

### **Compensation Risk Management**

The Corporation’s compensation program is structured in a way that does not encourage excessive risk-taking by employees. Performance targets are designed to measure a mixture of financial and non-financial measures and to balance short-term and longer-term objectives. No single metric or objective can significantly impact executive compensation in a given year.

The compensation mix between base salary and at-risk pay (short-term and long-term incentives), and the balance between short-term (paid in cash) and long-term incentives (paid in stock options), are designed to ensure that executive officers do not take inappropriate or excessive risks in the performance of their duties. Before recommending the compensation mix to the Board, the Governance Committee undertakes an annual review of the compensation policies and programs and considers the implications and risks associated with such policies and programs. Based on its most recent review, the Governance Committee did not identify any risks from the compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

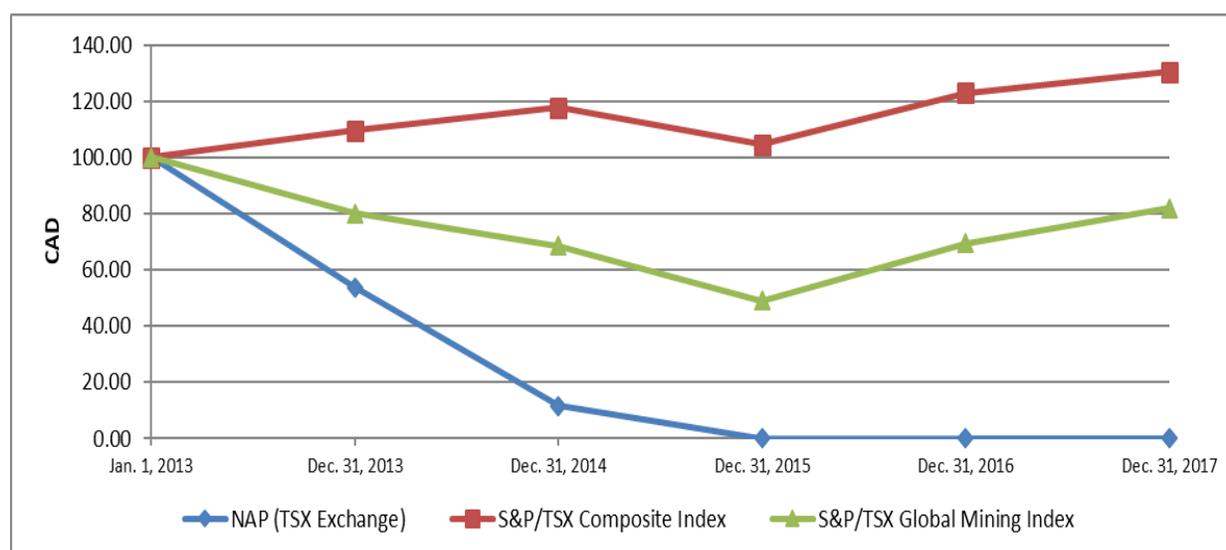
The Governance Committee believes that all of the above helps to ensure that the Corporation’s executive compensation program motivates executive officers without encouraging them to take inappropriate or excessive risk.

### **Policy Against Hedging**

The Corporation prohibits directors and officers from trading or entering into arrangements involving derivative instruments, securities or other arrangements designed to hedge or offset decreases in the market value of the Corporation’s securities held by them, as such arrangements could reduce the risk of equity ownership by directors and officers and negate the alignment of interests of directors and officers with those of shareholders.

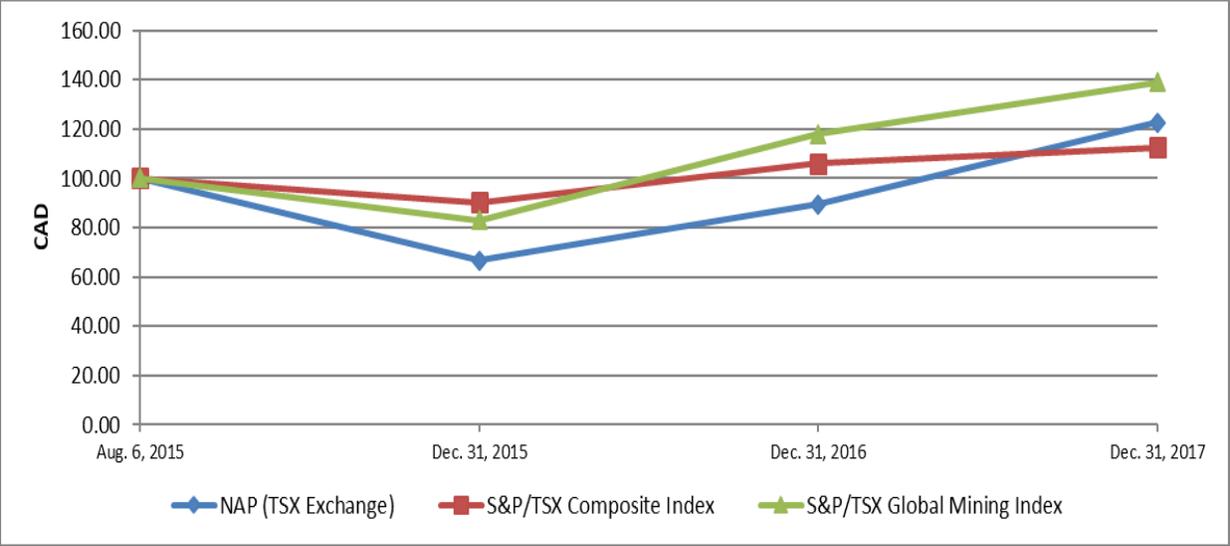
## Performance Graph

The following graph compares the total cumulative shareholder return for \$100 invested in Common Shares on January 1, 2013 with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Global Mining Index for the five most recently completed financial years. The total cumulative Shareholder return for \$100 invested in Common Shares was \$0.00 compared to \$130.37 for the S&P/TSX Composite Index and \$81.82 for the S&P/TSX Global Mining Index. This performance information incorporates the impact to the Company's shares resulting from the recapitalization transactions completed in August 2015, which may make these comparisons less meaningful. For additional information on the recapitalization and the various risk factors associated with the business of the Company, readers are encouraged to refer the Company's annual information form for the year ended December 31, 2017 filed on SEDAR at [www.sedar.com](http://www.sedar.com).



	<u>Dec. 31, 2013</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2017</u>
NAP Common Shares (TSX:PDL)	\$53.73	\$11.57	\$0.00	\$0.00	\$0.00
S&P/TSX Composite Index (TSX:^TSX)	\$109.55	\$117.69	\$104.64	\$122.95	\$130.37
S&P/TSX Global Mining Index (TSX:^TXGM)	\$80.15	\$68.40	\$48.92	\$69.51	\$81.82

The following graph compares the total cumulative shareholder return for \$100 invested in Common Shares at the time of the Recapitalization, on August 6, 2015 with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Global Mining Index for the two most recently completed financial years. The total cumulative Shareholder return for \$100 invested in Common Shares was \$122.50 compared to \$112.52 for the S&P/TSX Composite Index and \$138.81 for the S&P/TSX Global Mining Index.



The S&P/TSX Composite Index is an index of the share prices of the largest companies on the TSX as measured by market capitalization. Stocks included in this index cover all sectors of the economy, and the S&P/TSX Composite Index has traditionally been heavily weighted towards financial stocks. The S&P/TSX Global Mining Index is comprised of the world’s leading mining companies with holdings and projects all over the globe. Stocks included in this index provide diverse geographic exposure to mining companies and broad exposure to metals and minerals. As such, it is difficult to directly compare our NEO compensation with the trends reflected in the graph above.

The Corporation is of the view that compensation levels for the NEOs cannot and should not be directly compared to year-over-year relative share price performance. Global commodity prices and general market conditions are significant factors affecting the Corporation’s share price and these are beyond the control of the Corporation’s officers.

The Corporation’s executive compensation package is designed to attract and retain top quality managers for the longer-term to manage and grow the business through both adverse and favourable economic cycles.

## Compensation of Named Executive Officers

The following table sets forth all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries for each of the past three fiscal years ended December 31, 2017 in respect of the NEOs.

Name and Principal Position	Year	Salary (\$)	Share- based awards (\$)	Option- based awards <sup>(1)</sup> (\$)	Non-equity incentive plan compensation		All other compensation <sup>(3)</sup> (\$)	Total compensation (\$)
					Annual incentive plans <sup>(2)</sup> (\$)	Long-term incentive plans (\$)		
<b>Jim Gallagher</b> <sup>(4)</sup>	2017	475,000	Nil	289,272	495,000	Nil	36,100	1,295,372
President & Chief Executive Officer	2016	450,000	Nil	Nil	219,500	Nil	19,931	689,431
	2015	403,990	Nil	1,366,477	188,780	Nil	28,512	1,987,759
<b>Tim Hill</b> <sup>(5)</sup>	2017	300,000	Nil	57,854	153,500	Nil	28,124	539,478
Vice President, Finance & Chief Financial Officer	2016	247,499	Nil	219,422	110,000	Nil	24,112	601,033
	2015	33,333	Nil	91,668	4,389	Nil	250	129,640
<b>Dave Peck</b>	2017	306,000	Nil	34,713	156,500	Nil	30,618	527,831
Vice President, Exploration	2016	300,000	Nil	Nil	105,000	Nil	27,777	432,777
	2015	300,000	Nil	182,197	76,378	Nil	25,624	584,199

- (1) The "Option-based awards" figures reflect the fair value of options granted in accordance with the Corporation's Stock Option Plan on the grant date. The fair value of these options on their grant date is calculated by using the Black-Scholes option valuation model. The Black-Scholes option valuation is determined using the expected life of the stock option, expected volatility of the Common Share price, expected dividend yield, and risk-free interest rate. IFRS 2 requires recognition in the Corporation's financial statements of an expense for option awards using the fair value method of accounting. Under this method, the fair value of an award at the grant date is amortized over the applicable vesting period and recognized as a compensation expense. For 2014, options were issued under the Corporation's previous stock option plan. Under that plan, the Corporation assigned an exercise price equivalent to the value of one (1) Common Share on the TSX on the date immediately preceding the date of the grant. The assumptions used in the valuation were based on an actual term of five (5) years and a vesting period of three (3) years. Pursuant to the terms of the Arrangement, the options under the previous stock option plan were cancelled for no consideration and the stock option plan was terminated. The Corporation did not retain any liabilities or obligations outstanding with respect to the previous stock option plan. On August 11, 2015, 1,125,000 options were issued pursuant to the proposed terms of the Company's new Stock Option Plan which was formally adopted on March 24, 2016. Pursuant to the new Stock Option Plan, a maximum of 5,000,000 Common Shares or 8.60% of the current issued and outstanding common shares of the Corporation may be reserved for issuance pursuant to the exercise of options. Under the Stock Option Plan, the Corporation assigns an exercise price equivalent to the weighted average value of one (1) Common Share on the TSX for the five trading days immediately preceding the date of the grant. The options have a term of ten (10) years and a vesting period of five (5) years. The August 11, 2015 options issued had an exercise price of \$5.97 and the 2015 disclosure amounts have been amended to reflect the final valuations assigned to the options by the Company. An additional 100,000 options were granted on September 1, 2016 with an exercise price of \$5.97.
- (2) The "Annual incentive plans" figures reflect the bonuses paid to each NEO based on his or her performance in each respective year (see "Compensation Discussion and Analysis – Elements of Compensation").
- (3) The "All other compensation" figures consist of premiums paid for health insurance, life insurance, RRSP contributions, fitness benefits, and severance payments for NEOs. The figures disclosed for 2015 have been amended to reflect all noted amounts.
- (4) Mr. Gallagher assumed the role of President and Chief Executive Officer of the Corporation effective August 12, 2015.
- (5) Mr. Hill was appointed to the role of Interim Vice President, Finance and Chief Financial Officer on February 1, 2016. He was appointed to the role of Vice President, Finance and Chief Financial Officer on August 4, 2016.

## Outstanding Share-based Awards and Option-based Awards

As a result of the Arrangement, (i) all stock options issued and outstanding at the effective time of the Arrangement were cancelled for no consideration and the existing stock option plan was terminated; and (ii) all RSUs issued pursuant to the existing RSU Plan issued and outstanding at the effective time of the Arrangement, whether or not vested, were transferred to the Corporation without

any action on behalf of the respective holders thereof, free and clear of all liens, charges, encumbrances and any other rights of others, and in exchange therefor, the Corporation issued to the holder such number of Common Shares as were subject to the RSUs immediately prior to the effective time of the Arrangement and the RSU Plan was terminated.

### *Stock Option Plan*

Subsequent to the Arrangement, on March 24, 2016 a new stock option was adopted by the Board. In connection with approval of the Stock Option Plan, the Corporation applied to the TSX for an exemption from the securityholder approval requirement pursuant to Section 604(f) of the TSX Company Manual, which provides that securityholder approval will not be required where at least ninety percent (90%) of a listed issuer's equity and outstanding voting securities are held by one person or company, together with its associates and affiliates. As of the date of this Circular, Brookfield Capital Partners Ltd. owns approximately 92% of the issued and outstanding Common Shares (on a non-fully diluted basis). The Stock Option Plan has been approved by the TSX.

The terms of the Stock Option Plan provide that the maximum number of common shares issuable thereunder shall not exceed 5,000,000 common shares of the Corporation (representing 8.60% of the issued and outstanding Common Shares as of the date of this Circular). As at the date of this Circular options representing the right (once vested) to acquire 1,500,000 Common Shares (representing approximately 2.58% of the Corporation's issued and outstanding common shares) have been issued and are outstanding under the Stock Option Plan. Based on the number of Common Shares outstanding as of the date of this Circular, a total of 3,500,000 Common Shares (representing approximately 6.02% of the outstanding Common Shares of the Corporation) are currently available to be granted under the Stock Option Plan.

The following is a summary of the key terms of the Stock Option Plan:

All officers, employees or consultants of the Corporation or any subsidiary, or any other consultants are "eligible persons" to be granted stock options under the Stock Option Plan. The Corporation does not provide financial assistance to eligible persons to facilitate the purchase of Common Shares under the Stock Option Plan.

The maximum number of Common Shares issuable under the Stock Option Plan, and all other securities-based compensation arrangements of the Corporation, at any time, shall not exceed 5,000,000 common shares of the Corporation (representing 8.60% of the issued and outstanding Common Shares as of the date of this Circular).

In addition to the foregoing limit on the number of Common Shares issuable under the Stock Option Plan:

- the total number of Common Shares issuable to any one optionee (including an "insider" (as defined in National Instrument 55-104 - *Insider Reporting Requirements and Exemptions*), at any time, pursuant to the exercise of options granted under the Stock Option Plan, including Common Shares issuable under any other security based compensation arrangement, must not exceed 5% of the Corporation's issued and outstanding Common Shares from time to time (calculated on a non-diluted basis);
- the maximum number of Common Shares that are issuable to insiders of the Corporation at any time pursuant to the exercise of options granted under Stock Option Plan and issuable under all other security-based compensation arrangements of the Corporation

shall not exceed 10% of the Corporation's issued and outstanding Common Shares from time to time (calculated on a non-diluted basis); and

- the maximum number of Common Shares that are issued to insiders of the Corporation within a one-year period pursuant to the exercise of options granted under the Stock Option Plan and issued under all other security based compensation arrangements of the Corporation shall not exceed 10% of the Corporation's issued and outstanding Common Shares from time to time (calculated on a non-diluted basis).

The exercise price of each option granted under the Stock Option Plan will be the "Market Price" (being the volume weighted average price of the Common Shares on the TSX for the five trading days immediately preceding the date of grant of the option) from time to time.

The term of options granted under the Stock Option Plan may not exceed ten (10) years from the date of grant. If no determination is made by the Governance, Nominating and Compensation Committee, the term of the options is ten (10) years.

If no determination is made by the Governance, Nominating and Compensation Committee regarding vesting, options shall vest over five years and an optionee may exercise up to 20% of the options during each 12-month period following the date of grant of the options.

Options may be exercised from time to time by delivery to the Corporation at its principal office or at its registered office of a written notice of exercise addressed to the Secretary of the Corporation specifying the number of common shares with respect to which the options are being exercised and accompanied by payment in full of the option price of the common shares being purchased. Certificates for such common shares shall be issued and delivered to the optionee within a reasonable time following the receipt of such notice and payment, provided that delivery of the common shares is subject to the satisfaction of all applicable tax obligations, including obligations to make withholdings or deductions in respect of the benefits arising under the Stock Option Plan. The Corporation shall have the power and right to require the optionee to remit to the Corporation, an amount sufficient to satisfy any applicable tax or withholding obligations required by law.

In the event that no specific determination is made by the Governance, Nominating and Compensation Committee with respect to any of the following matters, each option shall, subject to any other specific provisions of the Stock Option Plan, contain the following terms and conditions:

- where the optionee is an employee who has been dismissed by the Corporation, for reasons other than cause, the optionee shall have 90 days from the date notice of dismissal is given in which to exercise the option in respect of the Common Shares available to be purchased as of the dismissal notice date;
- where the optionee is an employee who has voluntarily resigned, the optionee shall have 10 days from the date notice of resignation is given in which to exercise the option in respect of the Common Shares available to be purchased as of the resignation notice date;
- where the optionee is an employee who has been dismissed by the Corporation for cause, all options whether vested or unvested shall be cancelled on the dismissal notice date; and
- all unvested options shall terminate upon an optionee ceasing to be an eligible person due to termination of employment for any reason.

Notwithstanding the foregoing, the original term of the option shall not be extended unless otherwise provided for herein, and all unvested or unexercised options shall be terminated at the expiry of the original term of the options, or as set forth above, whichever is earlier.

If, before the expiry of options in accordance with their terms, an optionee ceases to be an eligible person by reason of retirement at normal retirement age (including early retirement in accordance with the Corporation's then current plans, policies or practices) or as a result of his/her permanent disability, the Committee, at its discretion, may allow the optionee to exercise his/her options to the extent that he/she would have been entitled at the time of retirement or disability, at any time up to and including, but not after, a date six (6) months following the date of such event, or prior to the close of business on the expiration date of the option, whichever is earlier.

If an optionee dies before the expiry of options in accordance with their terms, the optionee's legal representative(s) may, subject to the terms attached to the options and the Stock Option Plan, exercise the options to the extent that the optionee was entitled to do so at the date of death at any time up to and including, but not after, a date (1) one year following the date of the optionee's death, or prior to the close of business on the expiration date of the options, whichever is earlier.

Options are personal to the optionee and non-assignable (whether by operation of law or otherwise). Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of an option contrary to the provisions of the Stock Option Plan, or upon the levy of any attachment or similar process upon an option, the option shall, at the election of the Corporation, cease and terminate and be of no further force or effect whatsoever.

The Board may from time to time amend, suspend or terminate the Stock Option Plan or the terms of any previously granted options without shareholder approval, provided that no such amendment to the terms of any previously granted options may, except as expressly provided in the Stock Option Plan or with the written consent of the optionee, adversely alter or impair the terms or conditions of such options previously granted to such optionee. Any amendment will, if required, be subject to the prior approval of, or acceptance by, the TSX (or, if such common shares are not then listed and posted for trading on the TSX, on such stock exchange in Canada or the United States on which such common shares are listed and posted for trading) and any other applicable regulatory authority.

In the event that the expiration date for an option falls within a blackout period or within ten business days following the expiration of a blackout period, such expiration date shall be automatically extended without any further act or formality to that date which is the tenth business day after the end of the blackout period, such tenth business day to be considered the expiration date for such option for all purposes under the Stock Option Plan.

Without limiting the foregoing, the Board may amend, suspend, terminate or discontinue the Stock Option Plan or any previously granted options without obtaining the approval of shareholders to:

- amend the eligibility for, and limitations or conditions imposed upon, participation in the Stock Option Plan;
- subject to matters requiring shareholder approval described below, amend any terms of the Stock Option Plan relating to the granting or exercise of options, including but not limited to terms relating to the amount and payment of the option price, or the vesting, expiry, termination, assignment or adjustment of options;
- permit the granting of deferred or restricted shares under the Stock Option Plan;

- add or amend any terms of the Stock Option Plan relating to the provision of financial assistance to optionees or resulting in eligible persons receiving securities of the Corporation while no cash consideration is received by the Corporation;
- make changes that are necessary or desirable to comply with applicable laws, rules, regulations and policies of any applicable governmental entity or stock exchange;
- any amendment of a “housekeeping” nature, including, without limitation, to correct or rectify any ambiguity, defective provision, error or omission in the Stock Option Plan or in any option; or
- amend any terms relating to the administration of the Stock Option Plan, including the terms of any administrative guidelines or other rules related to the Stock Option Plan.

Notwithstanding the foregoing, none of the following amendments may be made by the Board without obtaining the approval of shareholders:

- no amendment to the terms of any previously granted option may, except as expressly provided in the Plan, or with the written consent of the optionee, adversely alter or impair the terms or conditions of such option previously granted to such optionee under the Stock Option Plan;
- any amendment to the Stock Option Plan, or to the terms of any option previously granted, is subject to compliance with all applicable laws, rules, regulations and policies of any applicable governmental entity or stock exchange, including receipt of any required approval from such governmental entity or stock exchange; and
- none of the following amendments may be made without shareholder approval:
  - o any reduction in the option price of previously granted options, cancellation and reissue of previously granted options or amendment that extends the term of an option beyond the original expiry thereof with respect to an eligible person;
  - o amendments to eligible persons that may permit the introduction or reintroduction of such individuals on a discretionary basis;
  - o any amendment which would permit any option under the Stock Option Plan to be transferable or assignable other than for normal estate settlement purposes;
  - o any removal of or increase in the limits to insider participation in the Stock Option Plan; and
  - o any change in the amendment provisions of the Stock Option Plan.

### **Employment Contracts**

The Corporation has entered into employment agreements with each of the NEOs. Generally, the agreements provide the position, term and duties of each NEO. The agreements provide that the Corporation shall pay each NEO an annual base salary, and that each NEO shall have the right to participate in all health, dental and other benefit plans of the Corporation, the right to participate in the Corporation’s STIP, and the right to receive stock options upon approval from the Board. Pursuant to the

STIP, the NEOs are eligible to receive a performance bonus in accordance with the Corporation's compensation policy. The amount of any such performance bonus and the related performance criteria are determined from time to time by the Governance, Nominating and Compensation Committee and are subject to approval by the Board.

### Securities Authorized for Issuance under Equity Compensation Plans

As a result of the Arrangement, (i) all stock options issued and outstanding at the effective time of the Arrangement were cancelled for no consideration and the existing stock option plan was terminated; and (ii) all RSUs issued pursuant to the RSU Plan issued and outstanding at the effective time of the Arrangement, whether or not vested, were transferred to the Corporation without any action on behalf of the respective holders thereof, free and clear of all liens, charges, encumbrances and any other rights of others, and in exchange therefor, the Corporation issued to the holder such number of Common Shares as were subject to the RSUs immediately prior to the effective time of the Arrangement and the RSU Plan was terminated.

### Indebtedness of Directors and Executive Officers

The following table discloses the aggregate indebtedness of the Corporation's directors, executive officers, employees or former directors, executive officers or employees of the Corporation or any of their respective associates, to the Corporation or any of its subsidiaries.

Purpose	Aggregate Indebtedness to the Corporation or its Subsidiaries (\$)	Aggregate Indebtedness to Another Entity (\$)
Share Purchases.....	Nil	Nil
Other.....	Nil	Nil

### AUDITORS, TRANSFER AGENT AND REGISTRAR

The Corporation's auditors are KPMG LLP, Chartered Accountants, Bay Adelaide Centre, Suite 4600, 333 Bay Street, Toronto, Ontario, M5H 2S5. KPMG LLP are the auditors of the Corporation and have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation and under all relevant US professional and regulatory standards.

Computershare Investor Services Inc. is the registrar and transfer agent of the Common Shares in Canada.

### PRINCIPAL HOLDERS OF VOTING SECURITIES

To the best of the Corporation's knowledge, as at March 29, 2018:

- (a) the only persons who beneficially own, or control or direct, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares of the Corporation, and the approximate number of Common Shares so owned, controlled or directed, and the percentage of the voting shares of the Corporation represented by such shares; and
- (b) the aggregate share ownership by the current directors and officers of the Corporation as a group,

are as follows:

Name and Address of Beneficial Owner	Number of Voting Shares Beneficially Owned	Percentage of Voting Shares Outstanding
Brookfield Capital Partners Ltd. Brookfield Place, Suite 300 181 Bay Street Toronto, ON M5J 2T3	53,459,128	92%
Directors and Executive Officers as a group	2,237	0.004%

#### ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.nap.com](http://www.nap.com). Financial information about the Corporation is provided in the Corporation's comparative annual financial statements and management's discussion and analysis of operating and financial results for its most recently completed financial year ("MD&A"). The Corporation will provide to any person or company, upon request to its Chief Financial Officer at One University Avenue, Suite 402, Toronto, Ontario, M5J 2P1, Canada, Telephone: (416) 360-7590, Facsimile: (416) 360-7709, a copy of the Corporation's financial statements and MD&A. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder.

**DIRECTORS' APPROVAL**

The contents of this Circular and the sending thereof to shareholders of the Corporation have been approved by the Board of Directors.

**DATED** at Toronto, Ontario this 29 day of March, 2018.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) "*J. Peter Gordon*"

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J. Peter Gordon

Chairman of the Board

## APPENDIX "A" MANDATE OF THE BOARD OF DIRECTORS

### *Purpose*

The Board of Directors (the "**Board**") of North American Palladium Ltd. (the "**Corporation**") shall assume the responsibility for the stewardship of the Corporation and shall:

1. Supervise the management of the business and affairs of the Corporation; and
2. Act in accordance with the Corporation's obligations contained in the Canada Business Corporations Act (the "**CBCA**"), the securities legislation of each province and territory of Canada, the governance guidelines of the Toronto Stock Exchange (TSX), other relevant legislation and regulations and the Corporation's articles and by-laws.

As a matter of policy, the following matters must be considered by the Board as a whole and may not be delegated to a committee:

1. Changing the membership of, or filling a vacancy in, any committee;
2. Appointing and removing officers, unless such appointment or termination is specifically delegated to the President and Chief Executive Officer ("**CEO**"); and
3. Such matters, if any, as may be specified in the resolution establishing any committee.

Pursuant to the CBCA, the following additional matters must be considered by the Board as a whole and may not be delegated to a committee:

1. Submission to the shareholders of any question or matter requiring the approval of the shareholders;
2. Filling a vacancy among the directors or in the office of auditor, or appointing additional directors;
3. Issuing securities except in the manner and on the terms authorized by the directors;
4. Declaring dividends;
5. Purchasing or redeeming or any other form of acquiring shares issued by the Corporation;
6. Paying a commission or allowing a discount to any person in consideration of that person subscribing or agreeing to subscribe for shares of the Corporation or procuring or agreeing to procure subscriptions for any such shares;
7. Approving management proxy circulars;
8. Approving any take-over bid circular or directors' circular;
9. Approving the annual financial statements of the Corporation; and
10. Adopting, amending or repealing the by-laws of the Corporation.

### *Responsibilities*

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving other powers to itself. Subject to the articles and by-laws of the Corporation, the Board retains the responsibility for managing its own affairs including planning its composition, selecting its Chairman, nominating candidates for election to the Board, appointing committee members and determining director compensation. The Board's principal duties fall into the following six categories.

1. Selection of Management

The Board has the responsibility for:

- a) Appointing and replacing the CEO, monitoring CEO performance, determining CEO compensation and providing advice and counsel in the execution of the duties of the CEO;

- b) Approving the appointment and remuneration of all corporate officers, acting upon the advice of the CEO;
  - c) Ensuring that adequate provision has been made for management succession; and
  - d) To the extent feasible, satisfying itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization.
2. Monitoring and Acting
- The Board has the responsibility for:
- a) Monitoring the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances;
  - b) Taking action when performance falls short of its goal or in other special circumstances (for example, mergers and acquisitions or changes in control);
  - c) Identifying principal risks and ensuring appropriate systems are in place to manage those risks; and
  - d) Approving any payment of dividends to shareholders.
3. Strategy Determination
- The Board has the responsibility to participate with management directly or through its committees, in developing and approving the mission of the Corporation, its objectives and goals, and the strategy by which it proposes to reach those goals.
4. Policies and Procedures
- The Board has a particular responsibility for:
- a) Confirming that the Corporation operates at all times within applicable laws and regulations, and to the highest ethical and moral standards;
  - b) Approving and monitoring compliance with significant policies and procedures by which the Corporation is managed;
  - c) Ensuring that the integrity of the internal control and information management systems are maintained;
  - d) Approving all significant transactions involving the Corporation;
  - e) Reviewing material press releases prior to dissemination; and
  - f) Establishing suitable mechanisms to receive stakeholder views.
5. Reporting to Shareholders
- The Board has the responsibility for:
- a) Ensuring that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
  - b) Ensuring that the financial results are reported fairly and in accordance with International Financial Reporting Standards;
  - c) Ensuring, to the extent it is aware, the timely reporting of any other developments that have a significant and material impact on the value of the Corporation and in setting out its future plans and strategies; and
  - d) Reporting annually to shareholders on its stewardship for the preceding year.
6. Legal Requirements
- The Board is responsible for confirming that legal requirements have been met and that documents and records have been properly prepared, approved and maintained

Resignation

Any director who changes the responsibilities he or she held when elected to the Board should inform the Governance, Nominating and Compensation Committee so that they may consider the appropriateness of that person's continued Board membership under the changed circumstances.

#### Relationship with Management

The Board functions independently of management, and the role of Chairman is separate from that of President and CEO. The Chairman's role is to effectively manage and provide leadership to the Board while the role of the CEO is to provide the day-to-day leadership and management of the Corporation.

1. The President will be the CEO of the Corporation.
2. The CEO formulates Corporation policies and proposed actions and presents them to the Board for approval. The CEO keeps the Board fully informed of the Corporation's progress towards the achievement of, and of all material deviations from, the goals or objectives and policies established by the Board in a timely and candid manner.

The obligations of the directors and the Chairman's duties are set out in this document.

#### Strategic Plan

The Board, with the assistance of the CEO, is responsible for establishing the long-term goals and objectives of the Corporation.

The Board may assist in the development of the corporate strategies to achieve these goals and objectives, act as a resource, contribute ideas and ultimately approve the strategy, but management will lead this process.

The Board is responsible for monitoring management's success in implementing the strategies to achieve such goals and objectives and ensuring that the strategies are modified appropriately.

#### Performance Evaluation

One of the most important aspects of effective governance is the relationship between the CEO and the Board. It is crucial that the Board is fully informed and that the CEO has a forum for drawing on the wisdom and experience that exists within the Board. While it is expected that full and frank dialogue will exist between the CEO and the Board, a CEO review process shall be implemented at least once a year to ensure that this communication takes place. It allows for a full and healthy dialogue between the Board and the CEO regarding corporate and individual performance.

The Board and its committees are committed to evaluating their performance on an annual basis. The review process is also an opportunity to provide input to the Chairman on his or her performance. This assessment is designed to evaluate the Board's contribution as a whole and to review areas in which the Board believes a better contribution can be made.

#### Board Information

Prior to each quarterly meeting, the Board should receive a report from management describing operating and financial metrics achieved over the quarter along with information pertaining to key business activities and developments for this period.

#### Board Committees

In addition to Board committees that are required by law, the Board may form a committee of directors and delegate to such committee any powers of the directors, subject to Section 115 of the CBCA. These committees shall generally be composed of outside directors, a majority of whom are unrelated and independent directors.

Subject to the Corporation's by-laws and any resolution of the board of directors, a committee may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Where neither the Board nor the committee has determined the rules or procedures to be followed by the committee, the rules and procedures set out in the by-laws, paragraphs 8 to 15, shall apply with necessary modifications.

The mandates of standing committees of the Board are set out as separate documents. The composition and general duties of the Board committees are discussed below:

1. Committee Membership

Committee members are appointed by the Board on the recommendation of the Board Chairman in consultation with the Governance, Nominating and Compensation Committee. Consideration will be given to rotating committee members periodically.

Committee chairs are selected by the Board on the recommendation of the chairman. The chairman of a committee presides at all meetings of the committee and is responsible for ensuring that the work of the committee is well organized and proceeds in a timely fashion.

All directors may attend meetings of any Committee at the Committee chairman's invitation, but may not vote and may not be counted for the purposes of establishing a quorum.

## 2. Committee Meetings and Agendas

The committee chairman, in consultation with committee members, will determine the location, frequency and length of the meetings of the committee. The Audit Committee shall meet at least four times per year to review the annual and interim financial statements. All other committees shall meet at least annually. The chairman of the committee will develop the committee's agenda.

Notice of meetings shall be given by email or any other form of written or electronic communication not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meetings before or after the holding thereof.

## 3. Committee Responsibilities

Committees analyze, consistent with their terms of reference, strategies and policies which are developed by management. Committees may make recommendations to the Board but, unless specifically mandated to do so, do not take action or make decisions on behalf of the Board.

## 4. Reporting

Each committee shall report to the Board all matters that it considers to be important for Board consideration.

### Corporate Standards of Conduct

The Board has the responsibility for ensuring that standards of conduct are established and for monitoring compliance by the Corporation. To that end, the Corporation has established an Environmental Policy, Occupational Health and Safety Policy, Whistleblower Policy and Code of Conduct.

### **Composition**

#### 1. Definitions

##### a) Inside and Outside Directors

An "**inside**" director is a director who is a member of management. The only inside director can be the President and CEO.

An "**outside**" director is a director who is not a member of management.

##### b) Unrelated Directors

An "**unrelated**" director is a director who is independent of management and is free from any business or other relationship, other than interests and relationships arising from shareholding, which could, or could be perceived to, materially interfere with the director's ability to act in the Corporation's best interest. A "**related**" director is a director who is not an unrelated director.

If a shareholder is able to exercise a majority of the votes for the election of the Board, that person is a "**significant**" shareholder. For purposes of assessing "**relatedness**", a director who is a significant shareholder, or is a director with interests in or relationships with the significant shareholder is not considered a related director under the TSX guidelines.

#### 2. Constitution of the Board

The Board will be constituted with a majority of unrelated and independent directors.

If the Corporation has a significant shareholder, the Board will include, at a minimum, a proportion of unrelated directors that fairly represents the investment in the Corporation by shareholders other than the significant shareholder.

### 3. Board Membership

The Board will determine annually whether it is constituted with the appropriate number of unrelated or independent directors, as the case may be, and will report its conclusions, and the analysis supporting the conclusions, as required by applicable laws.

The Board is responsible for selecting nominees for appointment or election to the Board. The Board delegates the nomination process to the Governance, Nominating and Compensation Committee with the input from the Chairman of the Board and the President and CEO.

The Governance, Nominating and Compensation Committee reviews with the Board on an annual basis, the appropriate diversity, skills and experience required of Board members in the context of the needs of the Board, and will recommend increasing, decreasing or replacing directors to facilitate more effective governance of the Corporation.

The Governance, Nominating and Compensation Committee will provide an orientation and education program for new recruits to the Board, as well as ongoing education to directors.

### 4. Board Size

The Board will annually consider its size and will increase or decrease the number of directors to facilitate more effective leadership and decision-making.

### 5. Independent Directors

A director shall be considered independent if such director has been affirmatively determined by the Board to have no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

(a) is or was an employee or executive officer, or whose immediate family member is or was an executive officer, of the Corporation is not independent until three years after the end of such employment relationship;

(b) is receiving or has received, or whose immediate family member is receiving or has received, during any 12-month period within the last three years more than \$75,000 in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent;

(c) is or was a partner of, affiliated with or employed by, or whose immediate family member is or was a partner of or employed in a professional capacity by, a present or former internal or external auditor of the Corporation is not independent until three years after the end of the affiliation, partnership or employment relationship with the auditor;

(d) is or was employed as, or whose immediate family member is or was employed as, an executive officer of another Corporation (or its parent or a subsidiary) where any of the present (at the time of review) executive officers of the Corporation serve or served on that Corporation's (or its parent's or a subsidiary's) compensation committee, is not independent until three years after the end of such service or the employment relationship; and

(e) is an executive officer or an employee of, or whose immediate family member is an executive officer of, another Corporation (or its parent or a subsidiary) that has made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years exceeds the greater of US\$1 million or 2% of such other Corporation's consolidated gross revenues, in each case, is not independent until three years after falling below such threshold.

Additionally, a director is "independent" for the purpose of the Governance, Nominating and Compensation Committee and the Audit Committee specifically may not:

(i) accept directly or indirectly any consulting, advisory, or other compensatory fee from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or

(ii) be an affiliated person of the Corporation (within the meaning of applicable rules and regulations).

For the purposes of the definition of Independent Director, the term Corporation includes any parent, subsidiary or other affiliated entity of the Corporation.

In addition to the requirements for independence set out in paragraph (c) above, Board members must disclose any other form of association they have with a current or former external or internal auditor of the Corporation to the Governance and Nominating Committee for a determination as to whether this association affects the Board member's status as an Independent Director.

The Board shall have the authority to appoint a non-independent director or directors to a committee, other than the Governance, Nominating and Compensation Committee and/or the Audit Committee or appoint a committee, the members of which do not constitute a majority of independent directors, if permitted by applicable laws and rules of the TSX.

#### 6. Director Tenure

**Maximum term** – A director is required to submit to the Board his or her resignation 15 years after joining the Board. The Governance, Nominating, and Compensation Committee will review the offer of resignation and make a recommendation to the Board. The Board will determine whether to accept the resignation as soon as possible, and in any event within 90 days of the offer of resignation.

**Majority voting** – A director is required to submit to the Board his or her resignation in accordance with the majority voting rules of the TSX, in the event that the director does not receive at least 50 percent of the votes cast by shareholders at the time of his/her election.

#### *Meetings*

The Board will meet on a scheduled basis five times per year and more frequently if required. The Chairman, with the assistance of the CEO, will be responsible for establishing the agenda for Board meetings. A significant portion of each meeting will be spent examining future plans and strategies.

The Chairman shall solicit from the members of the Board recommendations as to matters to be brought before the Board and shall ensure that such matters receive a fair hearing. The Chairman shall have the same voting powers as all directors and will determine, consistent with the Corporation's by-laws, which matters require a vote. In the case of an equality of votes, the Chairman, in addition to his or her original vote, shall have the casting vote.

Management will deliver a meeting agenda and background material on agenda items to directors in adequate time prior to each meeting, so that directors can prepare for the Board meetings.

Guests may be invited by the Board to make presentations to the Board.

#### *Authority of the Board*

##### Access to Outside Advisors

The Board and any board committees may retain outside financial, legal or other advisors at the expense of the Corporation in appropriate circumstances. Any individual director may, subject to the approval of the Chairman, retain an outside advisor at the expense of the Corporation.

#### *Duties of the Chairman*

1. The Chairman's primary role is to take overall responsibility for the effective functioning of the Board, acting as a liaison between management and the Board, and attending to or assisting with all such matters that may be reasonably requested by the Board or management of the Corporation.
2. Without limiting the foregoing, and in addition to the Chairman's responsibilities as a director of the Corporation, the Chairman is required to:

- a) lead, manage and organize the Board, consistent with the approach to corporate governance adopted by the Board from time to time;
- b) preside as chair at all meetings of the Board and shareholders;
- c) set the agenda of the Board and shareholders' meetings;
- d) confirm that appropriate procedures are in place to allow the Board to work effectively and efficiently and to function independently from management;
- e) chair Board meetings, including requiring appropriate briefing materials to be delivered in a timely fashion, stimulating debate, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual directors and confirming that clarity regarding decisions is reached and accurately recorded;
- f) if independent, chair in camera sessions at the end of Board meetings;
- g) confirm that Board functions are delegated to appropriate committees and that the functions are carried out and the results reported to the Board;
- h) together with the CEO, approach potential candidates for Board membership, once candidates have been identified and selected by the Corporate Governance, Nominating and Compensation Committee, to explore their interest in joining the Board;
- i) act as a liaison between the Board and senior management, encouraging effective communication between the Board and the CEO;
- j) consistently encourage effective communication between the Board and the CEO, and confirm that the Board and senior management understand their respective responsibilities and respect the boundary between them;
- k) confirm proper and timely document filings and fulfillment of disclosure requirements under applicable legislation, including working with the Corporation's external counsel and other outside advisors when necessary;
- l) confirm that the Board and its committees have the necessary resources to carry out their responsibilities, in particular, timely and relevant information;
- m) work with the CEO, the Chair of the Corporate Governance, Nominating and Compensation Committee and the Corporate Secretary to further the creation of a healthy governance culture within the Corporation;
- n) together with the Corporate Governance, Nominating and Compensation Committee, ensuring that a process is in place by which the effectiveness of the Board and its committees (including size and composition) and the contribution of individual directors to the effectiveness of the Board is assessed at least annually;
- o) at the request of the CEO, represent the Corporation to shareholders and external stakeholders, including local community groups, government, and non-governmental organizations; and
- p) perform any such other duties as the Board may delegate from time to time.

*Other*

Director Compensation

Remuneration of directors is established by the Board on the recommendation of the Governance, Nominating and Compensation Committee and shall be generally in line with that paid by public companies of a similar size and

type. The Board encourages Board members to own shares of the Corporation in the belief that share ownership facilitates the directors' identification with the interests of shareholders of the Corporation.