

MANDATE OF THE AUDIT COMMITTEE

Purpose

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of North American Palladium Ltd. (the “Company”). Its primary function shall be to assist the Board in fulfilling its oversight responsibilities with respect to:

1. The financial reporting process and the quality, transparency and integrity of the Company’s consolidated financial statements and other related public disclosures;
2. The Company’s internal controls over financial reporting;
3. The Company’s compliance with legal and regulatory requirements relevant to its consolidated financial statements and financial reporting;
4. Ensuring that there is an appropriate standard of corporate conduct for senior financial personnel and employees;
5. The external auditor’s (as defined below) qualifications and independence; and
6. The performance of the internal audit function and the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company (the “external auditor”).

The function of the Committee is oversight. The members of the Committee are independent of the Company. The Company’s management is responsible for the preparation of the Company’s consolidated financial statements in accordance with applicable accounting standards and applicable laws and regulations. The Company’s external auditor is responsible for the audit or review, as applicable, of the Company’s consolidated financial statements in accordance with applicable auditing standards and laws and regulations. Accordingly, in carrying out its oversight responsibilities, the Committee does not provide any expert or special assurance as to the Company’s financial statements or internal controls or any professional certification as to the auditor’s work.

Responsibilities

The Committee shall:

1. Review and assess the adequacy of this Mandate on an annual basis and submit it to the Governance, Nominating and Compensation Committee together with any proposed amendments for review and comment before it is submitted to the Board for approval;
2. Meet with the Company’s external auditor as necessary and before the submission of the audited annual financial statements to the Board and communicate to external auditors that they are ultimately accountable to the shareholders of the Company;
3. Require the external auditor to report directly to the Committee;
4. Review the annual financial statements of the Company and “**management’s discussion and analysis**” and, where appropriate, recommend the financial statements for approval to the Board;
5. Review and where appropriate, recommend for approval to the Board the interim financial statements of the Company and “**management’s discussion and analysis**”;

6. Review reconciliations of the annual or interim financial statements, and all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities.
7. Review and discuss with management prior to dissemination earnings press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statements), as well as financial information and earnings guidance provided to analysts including the use of “pro forma” or “adjusted” non-International Financial Reporting Standards information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;
8. Obtain explanations from management on all the significant variances between comparative reporting periods and, in respect the annual financial statements, question management and the external auditor regarding the significant financial reporting issues discussed during the fiscal period and the method of resolution;
9. Be responsible for:
 - a) Ensuring that a written statement is obtained from the external auditor describing all relationships between the external auditor and the Company;
 - b) Discussing with the external auditor any disclosed relationships or services that may impact the objectivity and independence of the external auditor; and
 - c) Determining that the external auditor have a process in place to address the rotation of the lead partner and other audit partners serving the account as required under Canadian independence standards;
 - d) Reviewing and evaluating the external auditor’s independence, experience, qualifications and performance (including the performance of the lead audit partner) and determine whether the external auditor should be appointed or re-appointed and nominate the external auditor for appointment or re-appointment by the shareholders.
10. Assess the performance of the external auditor and recommend to the Board at least annually a duly qualified external auditor to be nominated (for appointment or retention) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
11. Review the plan and scope of the audit to be conducted by the internal and external auditor of the Company;
12. Recommend to the Board for approval, the compensation of the external auditor;
13. Directly oversee the work of the external auditor;
14. Resolve any disagreements between management and the external auditor regarding financial reporting;
15. Pre-approve all audit and permitted non-audit services to be provided to the Company or its subsidiary entities by the external auditor, in accordance with Applicable Laws;
16. Review all post-audit or management letters containing the recommendations of the external auditor and management’s response or follow-up of any identified weakness;
17. Meet separately, periodically, with management, with internal auditors (or other personnel

responsible for the internal audit function) and with external auditor;

18. Determine that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of these procedures;
19. Establish procedures for:
 - a) The receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - b) The confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
20. Enquire as to the adequacy of the Company's system of internal controls and review periodic reports from management about internal controls, including an assessment of risk with respect to financial reporting;
21. Review and approve all related party transactions;
22. Review and approve the Company's hiring policies regarding employees and former employees of the present and former external auditors of the Company;
23. Have such other duties, powers and authorities, consistent with Applicable Laws (as defined below), as the Board may, by resolution, delegate to the Audit Committee from time to time.

Composition

The Committee shall consist of a minimum of two directors of the Company.

1. The Committee shall be comprised entirely of independent¹ directors, as such term is defined by applicable laws and related rules and regulations, and rules of relevant stock exchanges (collectively referred to as "**Applicable Laws**").
2. A member is only exempt from the independence requirements if permitted by Applicable Laws. The appointment of a non-independent director shall be disclosed in the next proxy circular mailed to shareholders. If there is reliance on curing provisions, notice shall be given to the stock exchanges immediately upon learning of the circumstances that resulted in the non-compliance.
3. The Board shall appoint one Member as the chair of the Committee (the "Chair"). If the Chair is absent from a meeting, the Members shall select an Acting Chair from among those Members in attendance at the meeting.
4. A quorum for the transaction of business at all meetings of the Committee shall be a majority of members.

Qualifications and Experience

At the time of appointment or within a reasonable period of time following appointment, each member of the Committee must be financially literate, meaning the member has the ability to read and understand a set of financial statements that present the breadth and level of complexity or accounting issues that are generally comparable to the breadth and complexity of the issues that can be reasonably be expected to be raised by the Company's financial statements.

¹ See the Board Mandate for a definition of "**independent**".

1. At least one member (the “**financial expert**”) of the Committee must have:
 - a) An understanding of financial statements and accounting principles used by the Company to prepare its financial statements;
 - b) The ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
 - c) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activities;
 - d) An understanding of internal controls and procedures for financial reporting; and
 - e) An understanding of Committee functions.
2. The financial expert must have acquired the foregoing attributes through one or more of the following:
 - a) Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
 - b) Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
 - c) Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
 - d) Other relevant experience.

Meetings

Meetings of the Committee may be called by any member, the Chairman of the Board, the President & Chief Executive Officer (“CEO”) or Chief Financial Officer (“CFO”) of the Company, internal auditors or the external auditor.

The following shall apply to the meetings of the Committee:

1. The business of the Committee shall be transacted in person, by conference call or by resolution in writing. All questions at a meeting shall be decided by majority vote of those present and the Chair of the meeting shall not have a second or casting vote.
2. A resolution in writing signed by all members of the Committee shall be as valid as if it had been passed at a duly called and constituted meeting. Such resolutions may be signed in one or more counterparts.
3. The Committee Chair shall periodically report to the Board of Directors on the activities of the Committee.
4. The Committee may invite from time to time such person as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee, including, without limitation, management and/or the external auditor, whose attendance shall be at the expense of the Company.

5. The minutes of the proceedings of the Committee and any resolutions in writing shall be kept in a book provided for that purpose which shall always be open for inspection by any director of the Company.

Members of the Committee will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

Authority

The Committee shall have the authority:

1. For the purpose of performing their duties, to inspect all of the books and records of the Company and its affiliates and to discuss such accounts and records and any matters relating to the financial position or condition of the Company with the officers and internal auditors of the Company and its affiliates and the external auditor;
2. To engage independent counsel and other advisors as it determines necessary to carry out its duties;
3. To set and pay the compensation for any advisors employed by the Committee, including without limitation, compensation to any public accounting firm engaged for the purpose of preparing or issuing and audit report or performing other audit, review or attest services for the Company;
4. To set and pay the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties; and
5. To communicate directly with the internal auditors and the external auditor.

Duties of the Committee Chair

The fundamental responsibility of the Committee Chair is to be responsible for the management and effective performance of the Committee and provide leadership to the Committee in fulfilling its mandate and any other matters delegated to it by the Board. To that end, the Committee Chair's responsibilities shall include:

1. Working with the Chairman of the Board and the CEO to establish the frequency of Committee meetings and the agendas for meetings;
2. Providing leadership to the Committee and presiding over Committee meetings;
3. Facilitating the flow of information to and from the Committee and fostering an environment in which Committee members may ask questions, receive answers, and express their viewpoints;
4. Reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee;
5. Meet regularly with the CFO of the Company and other members of management to review material issues relating to matters under discussion, review and consideration by the Committee and to provide the Committee and the Board, in a timely manner, all information necessary to permit the Board to fulfill its statutory obligations;
6. Leading the Committee in annually reviewing and assessing the adequacy of this Mandate and evaluating its effectiveness in fulfilling its mandate; and
7. Taking such other steps as are reasonably required to ensure that the Committee carries out its mandate.