

MANDATE OF THE BOARD OF DIRECTORS

Purpose

The Board of Directors (the “Board”) of North American Palladium Ltd. (the “Company”) shall assume the responsibility for the stewardship of the Company and shall:

1. Supervise the management of the business and affairs of the Company; and
2. Act in accordance with the Company’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 Company’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 Company;
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 Company 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 Company; and
10. Adopting, amending or repealing the by-laws of the Company.

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 Company, 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 Company'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 Company, 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 Company 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 Company is managed;
- c) Ensuring that the integrity of the internal control and information management systems are maintained;
- d) Approving all significant transactions involving the Company;
- 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 Company 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 Company 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 Company.

1. The President will be the CEO of the Company.
2. The CEO formulates Company policies and proposed actions and presents them to the Board for approval. The CEO keeps the Board fully informed of the Company'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 Company.

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 Company'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 Company. To that end, the Company 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 Company’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 Company has a significant shareholder, the Board will include, at a minimum, a proportion of unrelated directors that fairly represents the investment in the Company 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 Company.

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 Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. 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 Company 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 C\$75,000 in direct compensation from the Company, 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 Company 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 company (or its parent or a subsidiary) where any of the present (at the time of review) executive officers of the Company serve or served on that company'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 company (or its parent or a subsidiary) that has made payments to, or received payments from, the Company 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 company'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 Company, 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 Company (within the meaning of applicable rules and regulations).

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

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 Company 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 Company'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 Company in appropriate circumstances. Any individual director may, subject to the approval of the Chairman, retain an outside advisor at the expense of the Company.

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 Company.
2. Without limiting the foregoing, and in addition to the Chairman's responsibilities as a director of the Company, 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 Company'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 Company;

- 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 Company 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 in the belief that share ownership facilitates the directors' identification with the interests of shareholders.