



## **MANAGEMENT INFORMATION CIRCULAR**

*for:*

**THE ANNUAL GENERAL AND SPECIAL MEETING OF  
SHAREHOLDERS**

**TO BE HELD ON WEDNESDAY, JUNE 11, 2014**

*at:*

**HYATT REGENCY VANCOUVER  
655 BARRARD STREET, VANCOUVER, BC  
AT 10:00 A.M. PDT**

## TABLE OF CONTENTS

<b>1. MANAGEMENT INFORMATION CIRCULAR</b> .....	1
1.1. SOLICITATION OF PROXIES .....	1
1.2. PROXY INSTRUCTIONS.....	1
1.3. APPOINTMENT OF PROXYHOLDER.....	2
1.4. REVOCATION OF PROXIES .....	2
1.5. SPECIAL INSTRUCTIONS FOR VOTING BY NON-REGISTERED SHAREHOLDERS .....	2
1.6. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF .....	3
<b>2. BUSINESS OF THE MEETING</b> .....	4
2.1. FINANCIAL STATEMENTS.....	4
2.2. ELECTION OF DIRECTORS .....	4
2.3. APPOINTMENT OF AUDITORS.....	7
2.4. SPECIAL RESOLUTION TO CHANGE THE NAME OF THE COMPANY .....	7
<b>3. STATEMENT OF EXECUTIVE COMPENSATION</b> .....	8
3.1. COMPENSATION DISCUSSION AND ANALYSIS .....	8
3.2. SUMMARY OF COMPENSATION.....	13
3.3. SUMMARY COMPENSATION TABLE .....	14
3.4. INCENTIVE PLAN AWARDS .....	18
<b>4. DIRECTOR COMPENSATION</b> .....	27
<b>5. OTHER COMPENSATION MATTERS</b> .....	30
<b>6. REPORT ON CORPORATE GOVERNANCE</b> .....	31
<b>7. INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON</b> .....	36
<b>8. INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS</b> .....	36
<b>9. MANAGEMENT CONTRACTS</b> .....	36
<b>10. SHAREHOLDER PROPOSALS</b> .....	36
<b>11. ADDITIONAL INFORMATION</b> .....	37



## POLARIS MINERALS CORPORATION

### 1. MANAGEMENT INFORMATION CIRCULAR

As at and dated April 22, 2014, for:

THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON WEDNESDAY, JUNE 11, 2014, AT:

HYATT REGENCY VANCOUVER

655 BURRARD STREET, VANCOUVER, BC, AT 10:00 A.M. PDT

Polaris Minerals Corporation (the "Company" or "Polaris") has elected to use the notice and access procedures ("Notice and Access") introduced under recent amendments to National Instrument 51-102 – *Continuous Disclosure Obligations* and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("NI 54-101"), for the delivery of meeting materials to shareholders for the Annual General and Special Meeting of the Company's shareholders to be held on June 11, 2014 (the "Meeting"). Under the provisions of Notice and Access, shareholders received a separate notice (the "Notice") containing information on how they can access the Company's management information circular (the "Circular") electronically instead of receiving a printed copy or how to receive a printed copy of the Circular. Together with the Notice, shareholders continue to receive a proxy ("Proxy"), in the case of registered shareholders, or a voting instruction form ("VIF"), in the case of non-registered shareholders, enabling them to vote at the Meeting. The Company adopted this alternative means of delivery in order to further its commitment to environmental responsibility and to reduce printing, distribution and mailing costs.

#### 1.1 SOLICITATION OF PROXIES

**This Management Information Circular is furnished in connection with the solicitation of proxies being made by the management of Polaris Minerals Corporation for use at the Meeting at the time and place and for the purposes set forth in the Notice and below.** While it is expected that the solicitation will be made primarily by mail, proxies may be solicited personally or by telephone by directors, officers and employees of the Company.

All costs of this solicitation will be borne by the Company.

#### 1.2. PROXY INSTRUCTIONS

Shareholders who cannot attend the meeting in person may vote by proxy, if a registered shareholder, or provide voting instructions as provided herein if a non-registered shareholder, either by mail, by phone or over the internet. Proxies and/or voting instructions must be received by Computershare Investor Services Inc., the Company's transfer agent ("Computershare") no later than 10:00 a.m. PDT on Monday, June 9, 2014 at its Toronto office, 9<sup>th</sup> Floor, 100 University Avenue, Toronto Ontario M5J 2Y1.

A proxy ("Proxy") returned to Computershare will not be valid unless dated and signed by the shareholder or by the shareholder's attorney duly authorized in writing or, if the shareholder is a company or association, the form of Proxy must be executed by an officer or by an attorney duly authorized in writing. If the form of Proxy is executed by an attorney for an individual shareholder or by an officer or attorney of a shareholder that is a company or association, documentation evidencing the power to execute the Proxy may be required with signing capacity stated. If not dated, the Proxy will be deemed to have been dated the date that it is mailed to shareholders.



The securities represented by the Proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly. The form of Proxy confers discretionary authority upon the named proxyholder with respect to matters identified in the accompanying Notice of Meeting if a choice with respect to such matters is not specified. It is intended that the person designated by management in the form of Proxy will vote the securities represented by the Proxy **in favour of** each matter identified in the Proxy and for the nominees of management for directors and auditor.

The Proxy confers discretionary authority upon the named proxyholder with respect to amendments to or variations in matters identified in the accompanying Notice of Meeting and other matters which may properly come before the Meeting. As at the date of this Management Information Circular, management is not aware of any amendments, variations, or other matters. If such should occur, the persons designated by management will vote thereon in accordance with their best judgment, exercising discretionary authority.

### **1.3. APPOINTMENT OF PROXYHOLDER**

**A shareholder has the right to designate a person (who need not be a shareholder of the Company), other than HERBERT G. A. WILSON OR TERRENCE A. LYONS, both directors and/or officers of the Company and the management designees, to attend and act for the shareholder at the Meeting. If you are returning your Proxy to Computershare, such right may be exercised by inserting in the blank space provided in the enclosed form of Proxy the name of the person to be designated and striking out the names of the management designees or by completing another proper form of Proxy and delivering it to Computershare as provided above, or by phone or over the internet. If you are using the internet, you may designate another proxyholder by following the instructions on the website. It is not possible to appoint an alternative proxyholder by phone. If you appoint a proxyholder, other than the management designees, that proxyholder must attend and vote at the Meeting for your vote to be counted.**

### **1.4. REVOCATION OF PROXIES**

In addition to revocation in any manner permitted by law, you may revoke your Proxy by an instrument in writing signed by you as registered shareholder or by your attorney duly authorized in writing, or if you are a representative of a registered shareholder that is a company or association, the instrument in writing must be executed by an officer or by an attorney duly authorized in writing, and deposited with the Company's registered office, c/o Fasken Martineau DuMoulin LLP, Suite 2900, 550 Burrard Street, Vancouver, British Columbia, V6C 0A3 at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof or, as to any matter in respect of which a vote shall not already have been cast pursuant to such Proxy, with the Chairman of the Meeting on the day of the Meeting, or at any adjournment thereof, and upon either of such deposits the Proxy is revoked. In addition, shareholders can also change their vote by phone or via the internet.

Only registered shareholders have the right to revoke a Proxy. Non-registered shareholders that wish to change their voting instructions must, in sufficient time in advance of the Meeting, contact Computershare or their intermediary to arrange to change their voting instructions.

### **1.5. SPECIAL INSTRUCTIONS FOR VOTING BY NON-REGISTERED SHAREHOLDERS**

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the meeting. Some shareholders of the Company are "non-registered" shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.** More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of the person (the "Non-Registered Shareholder") but which are registered in the name of an intermediary (the "Intermediary") that the Non-Registered Shareholder deals with in respect of the shares. Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or



administrators of self-administered RRSPs, RRIFFs, RESPs and similar plans; or in the name of a clearing agency (such as The Canadian Depository of Securities Limited) of which the intermediary is a participant.

There are two kinds of Non-Registered Shareholders – those who object to their name being made known to the Company (called OBOs for “Objecting Beneficial Owners”) and those who do not object to the Company knowing who they are (called NOBOs for “Non-Objecting Beneficial Owners”).

The Company takes advantage of certain provisions of NI 54-101 which permit the Company to directly deliver proxy-related materials to NOBOs who have not waived the right to receive them. This year the Company has elected to use Notice and Access. As a result, NOBOs can expect to receive a scannable VIF from the Company’s transfer agent, Computershare, together with the Notice that provides shareholders with directions to access the meeting materials via the Internet or to obtain a printed copy of the meeting materials from the Company at no cost to the shareholder. These VIFs are to be completed and returned to Computershare in accordance with the instructions. Computershare is required to follow the voting instructions properly received from NOBOs. Computershare will tabulate the results of the VIFs received from NOBOs and will provide voting instructions at the Meeting with respect to the common shares represented by the VIFs they receive. If the VIF is executed by an attorney for an individual shareholder or by an officer or attorney of a shareholder that is a company or association, documentation evidencing the power to execute the VIF may be required with signing capacity stated.

In accordance with the Notice and Access requirements of NI 54-101, the Company has distributed the Notice to the intermediaries for onward distribution to OBOs. Intermediaries are required to forward the Notice to OBOs. Very often, Intermediaries will use service companies to forward the Notice to OBOs. With the Notice, Intermediaries or their service companies should provide OBOs with a “request for voting instruction form” which, when properly completed and signed by such OBO and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow. The purpose of this procedure is to permit OBOs to direct the voting of the common shares that they beneficially own.

These proxy related materials are being sent to both registered shareholders and Non-Registered Shareholders. If you are a Non-Registered Shareholder, and the Company has sent these proxy related materials directly to you, your name and address and information about your holdings of common shares have been obtained in accordance with applicable securities requirements from the intermediary on your behalf.

The Company intends to pay for the Intermediaries to deliver the meetings materials to the OBOs.

By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the VIF or voting instruction form.

#### **1.6. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at the date of this Management information Circular, 80,522,414 common shares without par value were issued and outstanding, each such share carrying the right to one (1) vote at the Meeting. April 22, 2014 has been fixed by the directors of the Company as the record date for the purpose of determining those shareholders entitled to receive notice of and to vote at the Meeting.

To the knowledge of the directors and executive officers of the Company, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Company.



## 2. BUSINESS OF THE MEETING

### 2.1. FINANCIAL STATEMENTS

The financial statements for the fiscal year ended December 31, 2013 are contained in the 2013 Annual Report. These documents are available on the Company's website at [www.polarmin.com](http://www.polarmin.com) as well as on SEDAR at [www.sedar.com](http://www.sedar.com).

### 2.2. ELECTION OF DIRECTORS

The number of directors for the Company is set by ordinary resolution of the shareholders of the Company. Management of the Company is seeking shareholder approval of an ordinary resolution determining the number of directors of the Company at five (5) for the ensuing year.

In September 2013, the Company adopted a majority voting policy such that procedures are now in place that require the resignation of a director should the director receive more "withheld" votes than "for" votes at any uncontested meeting of the Company's shareholders at which directors are elected.

The persons below are management's nominees to the board of directors of the Company (the "**Board**"). Each director elected will hold office until the next annual general meeting or until his successor is duly elected or appointed, if his office is earlier vacated in accordance with the Articles of the Company or if he becomes disqualified to act as a director. (See "*Report on Corporate Governance - Majority Voting Policy*").

*Nominees for Election as a Director:*

<p><b>Terrence A. Lyons</b></p> <p>British Columbia, Canada Independent Director Age: 64</p> <p>Principal Occupation: Corporate Director</p> <p>Common Shares: 25,000 Stock Options: 367,000</p>	<p>Mr. Lyons' business background includes natural resources, manufacturing, real estate, merchant banking and corporate restructuring activities. Mr. Lyons is a director and officer of several public and private corporations including Lead Director and Chairman of the audit committee of Canaccord Genuity Group Inc. and a director of Sprott Resource Corp. and Martinrea International Inc. Mr. Lyons was formerly President and Managing Partner of B.C. Pacific Capital Corporation and a Managing Partner of Brookfield Asset Management for 18 years. He is past Chairman of Northgate Minerals Corporation, Versatile Pacific Shipyards, Westmin Resources and the Mining Association of British Columbia and past Vice Chairman of Battle Mountain Gold.</p>	
<u>Board and Committees</u>	<u>Date Joined</u>	<u>Attendance at Meetings during 2013</u>
Board of Directors	April 2004	4 of 4
Audit Committee	May 2004	4 of 4

**Eugene P. Martineau**

Florida, USA  
 Independent Director  
 Age: 73

Principal Occupation:  
 Principal, Martineau and  
 Associates Consulting

Common Shares: Nil  
 Stock Options: 200,000

Mr. Martineau was the founder and first president and CEO of U.S. Concrete Inc., which, under his guidance, became one of the largest concrete producers in the United States. In 2007, he left U.S. Concrete to found Martineau and Associates Consulting. He has served as a director and member of the Executive Committee of the National Ready Mixed Concrete Association (“NRMCA”) and has been elected as a lifetime honorary director. He served as the National Director of RMC 2000 from 1993 to 1997. RMC 2000 was a grass roots industry movement which facilitated monumental changes in the industry. He has served as a member of the Board of Trustees for the NRMCA Research & Education Foundation since its creation and served as chairman in 2004. Mr. Martineau was one of the founders, and served as the chairman, of the National Steering Committee for Concrete Industry Management (CIM). The CIM Program is now installed in four universities across the U.S. and is providing the industry with its future leaders. He currently serves as its Executive Director. In 2007, Mr. Martineau was selected by *Concrete Producer* magazine as one of the top influencers in the concrete industry. Mr. Martineau is the 2010 recipient of NRMCA’s Lifetime Achievement Award for Promotion which is awarded to a ready-mix concrete industry professional whose career has demonstrated outstanding leadership, dedication and achievement in support of concrete promotion and industry advancement.

<u>Board and Committees</u>	<u>Date Joined</u>	<u>Attendance at Meetings during 2013</u>
Board of Directors	March 2010	4 of 4
Audit Committee	March 2010	4 of 4
Governance, Compensation and Nominating Committee	March 2010	1 of 1

**Marco A. Romero**

British Columbia, Canada  
 Independent Director  
 Age: 51

Principal Occupation:  
 President & CEO of  
 Delta Gold Corporation

Common Shares: 45,875  
 Stock Options: 340,500

Mr. Romero is an entrepreneur with more than 35 years of diversified international experience in the mining and construction materials industries and is President of Delta Gold Corporation. He has held senior roles in exploration, environmental permitting, project development and mining operations, as well as mergers, acquisitions and corporate finance. Mr. Romero was co-founder of Polaris Minerals Corporation and served as its President and CEO from 1999 to 2008. He is a former Senior Vice President, Corporate Development for Ivanhoe Mines Ltd. and a co-founder and Executive Director of Eldorado Gold Corporation.

<u>Board and Committees</u>	<u>Date Joined</u>	<u>Attendance at Meetings during 2013</u>
Board of Directors	May 1999	4 of 4
Governance, Compensation and Nominating Committee	June 2012	1 of 1

**Herbert G. A. Wilson**

British Columbia, Canada  
 Related Director  
 President & Chief Executive Officer  
 Age: 63

Principal Occupation:  
 President & Chief Executive Officer  
 of the Company

Common Shares: 323,825  
 Stock Options: 559,792

Mr. Wilson has over 35 years of experience in the development and operation of construction materials and industrial minerals operations. Mr. Wilson joined Polaris Minerals Corporation in 2001, prior to which he was President of United States Lime & Minerals Inc., a NASDAQ-listed public company producing lime products and construction materials from limestone quarries located in the south-central states. From 1992 to 1998, he was a founding director and Executive Vice-President and Chief Operating Officer of Global Stone Corporation, a Toronto-listed public company producing construction aggregates and lime products. He has been President and CEO of the Company since January 2009 and is a director of Hudson Resources Inc.

Board and Committees  
 Board of Directors

Date Joined  
 July 2008

Attendance at Meetings during 2013  
 4 of 4

**Lenard F. Boggio**

British Columbia, Canada  
 Independent Director  
 Age: 59

Principal Occupation:  
 Corporate Director

Common Shares: Nil  
 Stock Options: 100,000

Mr. Boggio is an experienced finance professional and was a partner at PricewaterhouseCoopers, where he led the BC Mining Group, prior to his retirement in 2012. He has extensive experience in financial reporting and auditing, public finance offerings and mergers and acquisitions. He is a director of Alderon Iron Ore Corp., Goldgroup Mining Inc., Sprott Resource Corp., Laurentian Goldfields Ltd. and Great Western Minerals Group Ltd. all of which are Canadian resource companies. His professional activities include appointments as a Commissioner of the Financial Institutions Commission of BC and as Vice-Chair of the Canadian Institute of Chartered Accountants.

Board and Committees

Board of Directors  
 Audit Committee  
 Governance, Compensation and Nominating Committee

Date Joined  
 April 2013  
 April 2013  
 April 2013

Attendance at Meetings during 2013  
 3 of 3  
 3 of 3  
 1 of 1

**Corporate Cease Trade Orders and Bankruptcies**

Except as set out below, no proposed director of the Company:

- a) is, as of the date of this Management Information Circular, or has been, within ten years before the date of this Management Information Circular, a director, chief executive officer or chief financial officer of a company (including the Company) that
  - i. was subject to an order (a cease trade order, order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation that was in effect 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. was subject to an order 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 the capacity as director, chief executive officer or chief financial officer; or



- b) is, at the date of this Management Information Circular, or has been within ten years before the date of this Management Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that 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; or
- c) has, within ten years before the date of this Management Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Terrence A. Lyons was a director and executive officer of FT Capital Ltd. ("FT") which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Manitoba and Ontario due to the failure of FT Capital Ltd. to file financial statements since the financial year ended December 31, 2001. FT was liquidated in June 2009 and Mr. Lyons ceased to be a director. Mr. Lyons was a director of Royal Oak Ventures Inc. ("Royal Oak") which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Ontario and Quebec due to the failure of Royal Oak to file financial statements since the financial year ended December 31, 2003. After the restructuring, the cease trade orders were lifted on July 4, 2012. Mr. Lyons was a director of International Utility Structure Inc. ("IUSI") which, on October 17, 2003, was granted creditor protection by the Court of Queen's Branch of Alberta under the *Companies' Creditors Agreement Act* (Canada) ("CCAA"). On March 31, 2005, an order was granted approving the final IUSI restructuring plan under the CCAA at which time Mr. Lyons resigned as a director. Mr. Lyons was elected to the board of directors of each of FT, Royal Oak, and IUSI because of his valuable experience and expertise in financial restructurings in the insolvency context.

### **Penalties and Sanctions**

Other than as set out herein, no proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding to vote for a proposed director.

### **2.3. APPOINTMENT OF AUDITORS**

In accordance with the recommendations of the Company's Audit Committee, the Board recommends that shareholders vote for the reappointment of PricewaterhouseCoopers LLP, Chartered Accountants, as the Company's auditors to hold office until the next annual general meeting of shareholders of the Company. PricewaterhouseCoopers LLP was first appointed as the Company's auditor on December 22, 2000.

### **2.4. SPECIAL RESOLUTION TO CHANGE THE NAME OF THE COMPANY**

Polaris Minerals Corporation is recognized as the only publicly-traded Canadian producer of construction aggregates. When evaluating the Company, the financial and investing communities establish a market sector into which the Company can be placed for the purposes of producing comparable data. The use of "Minerals" in the name, together with the operation of an open pit mine, have consistently led to the Company's inclusion with groups of junior base metal mining companies for the purpose of establishing comparables. The directors and officers of the Company believe that such comparables are inappropriate because certain primary fundamentals of the business cannot be compared. Principally, the Company has many individual markets that are freely competitive and subject to the patterns of supply and demand, often based on differing material qualities, prevailing in that particular locale. This contrasts strongly with base metal mining where the markets are global and prices are set by a single body such as the London Metals Exchange. For this reason, the Company believes that it should now be more closely identified



with the business sector in which it operates and that the inclusion of “Materials” in the name, as opposed to “Minerals”, would provide greater clarity to investors. Shareholders are therefore being asked to approve the following special resolution to change the Company’s name from “Polaris Minerals Corporation” to “Polaris Materials Corporation” in the following form:

**“RESOLVED, AS SPECIAL RESOLUTIONS THAT:**

1. Effective upon the filing of a Notice of Alteration to the Notice of Articles of the Company with the Registrar of Companies, the name of the Company be changed from “Polaris Minerals Corporation” to “Polaris Materials Corporation”.
2. The Articles of the Company be altered accordingly.
3. Notwithstanding the approval for this special resolution by the shareholders of the Company, the Directors of the Company may, in their sole discretion, revoke or abandon any or all of the actions authorized by this special resolution before it is acted upon without further approval of the shareholders of the Company.
4. Any one Director or Officer of the Company is, and the agents of the Company are, hereby authorized and directed for and on behalf of the Company to execute and deliver, under corporate seal of the Company or otherwise, all such documents and instruments and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the above resolutions”.

**2.4. Approval Requirements**

With the exception of the special resolution, the foregoing resolutions will require approval by a majority of votes cast on the matter at the Meeting. The special resolution with regards to the name change of the Company will require approval by a special majority, being two-thirds of votes cast at the Meeting.

**3. STATEMENT OF EXECUTIVE COMPENSATION**

**3.1. COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Strategy**

The Company’s general approach with regard to executive compensation is to recognize the need to retain high caliber executives by providing market competitive salaries; to reward individual and corporate performance via annual bonus awards; and to motivate executives over the long term to remain with the Company and enhance shareholder value through incentive stock options and, in some instances, milestone bonuses.

Polaris first engaged the services of Roger Gurr & Associates, an independent compensation consultant, in 2007 for the purpose of establishing an executive compensation policy. In January 2014, Polaris again retained Roger Gurr & Associates to review and make recommendations regarding executive compensation in view of the Company’s improving financial circumstances and reliance on a small group of executive managers. A group of eighteen companies has been proposed, and accepted by the Board, for benchmarking purposes. Polaris represents a somewhat unique entity amongst North American public companies and therefore the comparator group was selected by considering a number of parameters that included market capitalization, operational status, revenue and employee numbers and reporting issuer status. The results of the review and recommendations arising will be presented to the Company’s annual compensation committee meeting in June 2014.

2014 Comparator Group

ADF Group Inc.	Luna Gold Corp.
Alexco Resource Corp.	Richmont Mines Inc.
Aurcana Corp.	San Gold Corp.
Banro Corp.	Silvercrest Mines Inc.
Brampton Brick Ltd.	Sirocco Mining Inc.
Excellon Resources Inc.	U.S. Silver & Gold Inc.
Forbes and Manhattan Coal Corp.	United States Lime & Minerals Inc.
Great Panther Silver Ltd.	Wesdome Gold Mines Inc.
Lipari Energy, Inc.	Xinergy Ltd.

The Company has not paid fees to Roger Gurr & Associates during the last two fiscal years ending December 31, 2013.

#### **Compensation Committee**

The Company has a Governance, Compensation and Nominating Committee (referred to in this section as the “Compensation Committee”), the current members of which are Marco A. Romero (Chair), Eugene P. Martineau, and Lenard F. Boggio, all independent directors.

The Compensation Committee is charged with establishing a remuneration and benefits plan for directors, executives and other key employees. To that end, the Compensation Committee is responsible for establishing the Company’s general compensation philosophy, overseeing the development and implementation of compensation programs, review and approve corporate goals and objectives relevant to the compensation of the CEO and evaluate the performance of the CEO in light of those goals and objectives, and to recommend stock option grants to the Board for approval. The Compensation Committee has largely based its executive compensation decisions upon the recommendations of the Company’s President and CEO (the “CEO”), however, for the year commencing July 1, 2014, it is anticipated that the independent consultant’s (as discussed above) review will provide the primary guidance.

#### **Adjustments**

There are no formal policies in place regarding the adjustment or recovery of compensation payments or payables if the conditions on which compensation is based are restated or adjusted to reduce the compensation payment or payable. Given that compensation is not determined on the basis of specific or measurable performance goals, there would be no situation in which an adjustment or recovery could be carried out.

#### **Hedging**

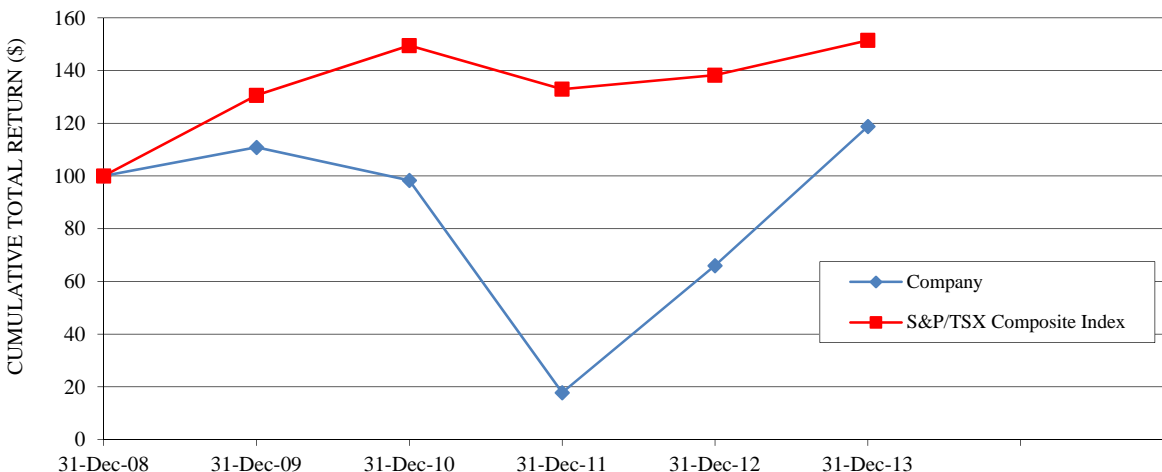
The Company does not have a policy with regard to Named Executive Officers (“NEOs” as later defined) and director purchases of financial instruments designed to hedge or offset a decrease in the market value of Company equities held by NEOs and directors.

#### **Risk**

The Company’s executive compensation structure is currently comprised of simple and straightforward elements that carry little or no risk which would or might cause the NEOs to take risks that are inappropriate to or would have an adverse effect on the Company. No change has been made to the Company’s compensation strategy for several years and, therefore, the Compensation Committee and the Board have not carried out an assessment of the risks associated with the Company’s executive compensation policies and practices.

### Performance graph

The following graph illustrates the cumulative shareholder return on \$100 invested in the Company’s common shares relative to the cumulative return on the S&P/TSX Composite Index for the five most recently completed financial years.



	Investment	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
Company	\$100.00	\$100.00	\$110.88	\$98.34	\$17.82	\$66.00	\$118.80
S&P/TSX Composite Index	\$100.00	\$100.00	\$130.61	\$149.48	\$132.94	\$138.26	\$151.47

### Compensation In Relation To Shareholder Return

Shareholder return increased after the Company’s initial public offering in January 2006 (the “IPO”), a time of active development for the Company, and reached a peak in 2007 when construction of the Company’s principal asset, the Orca Quarry, was completed and construction aggregate sales from the project commenced. An unprecedented, industry-wide, decline in market demand for construction aggregates began in 2007 and continued through the following three years before bottoming out mid-2011. The decline in shareholder return that began in 2008 reflected not only this dramatic decline in demand, particularly in the Company’s major market of California, but also the impact of the worldwide economic recession and liquidity crisis which occurred simultaneously. A gradual recovery in sales volumes began during the second half of 2011 and continued through 2012 and 2013. The Company reported its first quarterly profit in the fourth quarter of 2013, the result of increased volumes and selling prices. The Company’s fortunes are reliant not only upon sales volume, but also upon its ability to raise selling prices in the future, a scenario that requires a significant and sustained recovery in construction output in its primary market of northern California.

As the S&P/TSX Composite Index began to reflect the economic recovery experienced in Canada, beginning in late 2009, the relative value of the Company’s shares has reflected the fact that the Company has had a negative cash flow from operations up to and including 2013. The Company has been unable to increase selling prices to the extent predicted at the time of its IPO which was based on independent marketing advice and historical trends; thus a



disconnect arose between the two values shown in the previous table. In June 2013, following a significant improvement in quarterly trading, driven by a strong recovery in its principal Northern California market, the Company was able to secure an equity financing on a bought deal basis that enabled it to repay all long-term debt and provide cash to support the ongoing business. As a result of these factors, the stock price showed a significant gain in 2013 over the previous year.

The unprecedented economic and market challenges, along with the Company's liquidity position, made it appropriate for Polaris to conserve cash in all areas and operate with the minimum possible overhead. Following two years in which no annual incentive bonuses were paid, in 2012 and 2013 modest bonuses were paid at December 31, in each year together with "cost of living" increases in executive base salaries implemented with an effective date of July 1, in each year. The Company believes that the recovery experienced in the US markets in 2013 will be sustained in 2014 and, based on the Portland Cement Association's latest forecast of cement consumption, continue through at least 2018.

### **Elements of Executive Compensation**

The elements of the compensation structure for Named Executive Officers ("NEOs" as defined under *Summary Compensation Table* below) include: 1) base salary, 2) annual bonus awards, 3) milestone bonuses, 4) incentive stock options, and 5) retirement plan contributions, personal benefits and perquisites.

#### **1) Base salary**

The primary element of the Company's executive compensation is base salary. As previously noted, Polaris engaged the services of an independent compensation consultant in January 2014 and expects to receive recommendations in respect of NEO base salaries as a basis for the customary annual review in June 2014. Salary increases from 2009 to 2013 have been conservative in light of both industry market conditions and the Company's financial position. (See *Compensation In Relation To Shareholder Return*.)

Specific, measurable corporate or individual performance goals based on objective, identifiable measures have not been set as a basis for determining salary. The CEO informally communicates corporate priorities on a subjective basis during day to day operations and planning, and the NEOs participate in occasional meetings attended by executive and senior management during which corporate priorities may be discussed.

Annually, the Company's CEO provides recommendations to the Compensation Committee regarding potential base salary changes for all NEOs. The CEO's recommendations are based on his subjective evaluation of each NEO's performance over the previous year and the Company's need to retain its small team of key executives. Based on these recommendations and at its discretion, the Compensation Committee determines the amount of base salary for each NEO.

#### **2) Annual bonus awards**

Polaris does not currently have comparable compensation data to assist in determining NEO appropriate annual bonus awards. As detailed later in this section, most NEO employment agreements refer to annual bonus award amounts, whether in fixed dollars or as a percentage of base salary; however, the Company has not yet established any corporate or individual pre-determined and approved targets or objectives on which to base the determination of annual bonus award amounts. Annually, the Company's CEO provides recommendations to the Compensation Committee regarding potential annual bonus awards for all NEOs. These recommendations are based on a subjective evaluation of each NEO's performance over the previous year as well as the Company's ability to fund potential bonuses. Based on these recommendations, and at its discretion, the Compensation Committee determines the amount of annual bonuses, if any to be awarded to each NEO.

### **3) Milestone Bonuses**

Milestone bonuses, established prior to the Company commencing to operate, are currently contracted for Mr. Wilson and Mr. Singleton, as disclosed elsewhere in this *Statement of Executive Compensation*, in order to encourage and recognize the commitment of those specific NEOs to develop the Company, and are awarded to upon the achievement of specific and measurable goals related to the Company's long term performance.

### **4) Incentive Stock Options**

Annually, the Company's CEO provides recommendations to the Compensation Committee regarding potential incentive stock options grants for all NEOs. Polaris does not currently have comparable compensation data to consider in the determination of NEO incentive stock option awards. Rather, the CEO's recommendations are based on a subjective evaluation of each NEO's performance, the number of incentive stock options available to be granted, the number of options previously granted to each NEO and the market value of the Company's common shares. The Company has not established any corporate or individual pre-determined and approved targets or objectives on which to base the consideration of incentive stock option rewards. Based on the CEO's recommendations and at its discretion, the Compensation Committee then makes its recommendations to the Board with regard to the potential granting of options, including the number of options to be granted, grant date and vesting terms. All option grants are approved by the Board in accordance with the Company's Incentive Stock Option Plan. Because of the Company's stock market performance during this period of severe recession, only a limited number of the currently outstanding stock options are 'in the money'.

Options are not granted if the Company is under a trading black-out in accordance with its corporate disclosure policy (see *Report on Corporate Governance – Ethical Business Conduct*). If a trading black-out is in effect at a time when the Board would otherwise grant options, such option grants are postponed until the conclusion of the trading black-out at which time the grant date of such options is set at two full trading days after the conclusion of the trading black-out in accordance with the corporate disclosure policy.

### **5) Retirement plan contributions, personal benefits and perquisites**

The Company matches employee contributions, up to three and five percent, in a Company-provided group RRSP for Canadian employees and up to six percent in a Company-provided 401(k) for American employees (collectively referred to as retirement plan contributions). This benefit is offered to all permanent full time employees of the Company and its subsidiary companies. Participation is voluntary to all employees. Mr. Wilson has elected not to receive this benefit and Mr. Singleton is not eligible to participate.

Personal benefits provided to the NEOs, being group health and life insurance, are available to all permanent full time employees of the Company and its subsidiary companies.

Other perquisites are provided to NEOs as compensation for those specific positions. During the financial years reported herein, none of the NEOs received any perquisites which, in the aggregate, were greater than US\$50,000 or 10% of the respective NEO's salary.



### 3.2. SUMMARY OF COMPENSATION

#### Currency

The Company's reporting currency is the United States dollar ("US\$"). The base salaries, annual bonus awards, milestone bonuses, retirement plan contributions, perquisites and personal benefits paid to the Company's Canadian based NEOs are paid in Canadian dollars ("CAD\$") and the same are paid to American based NEOs in US\$. All incentive stock options are granted and exercisable in CAD\$. Both currencies are provided in this *Statement of Executive Compensation* in order to facilitate an understanding of the compensation under discussion.

For the purpose of the Company's financial reporting, and used in the disclosure herein, CAD\$ amounts are translated to US\$ using the three-month average exchange rate in each respective quarter. These exchange rates are used for all compensation reported herein, other than option based awards, and are as follows:

For the year ended December 31, 2013	Q1 2013	CAD\$1.00 = US\$0.9915
	Q2 2013	CAD\$1.00 = US\$0.9770
	Q3 2013	CAD\$1.00 = US\$0.9632
	Q4 2013	CAD\$1.00 = US\$0.9526
For the year ended December 31, 2012	Q1 2012	CAD\$1.00 = US\$0.9990
	Q2 2012	CAD\$1.00 = US\$0.9897
	Q3 2012	CAD\$1.00 = US\$1.0046
	Q4 2012	CAD\$1.00 = US\$1.0087
For the year ended December 31, 2011	Q1 2011	CAD\$1.00 = US\$1.0145
	Q2 2011	CAD\$1.00 = US\$1.0335
	Q3 2011	CAD\$1.00 = US\$1.0196
	Q4 2011	CAD\$1.00 = US\$0.9775

Translation rates for the purpose of calculating the value of option based awards are December 31 spot rates as follows:

2013	CAD\$1.00 = US\$0.9402
2012	CAD\$1.00 = US\$1.0051
2011	CAD\$1.00 = US\$0.9833

#### Fair Value

The fair value of options granted is established in accordance with Section 3870 of the CICA Handbook using the Black-Scholes option pricing model. During 2013 the Company granted a total of 1,390,000 options with the following assumptions:

Average risk free rate:	1.25%
Expected life:	2.0 years
Expected volatility:	74.0%
Expected dividends:	None

### 3.3 SUMMARY COMPENSATION TABLE

The following table provides a summary of compensation paid, directly or indirectly, to the following persons, collectively, the Named Executive Officers or NEOs, for the three most recently completed financial years ending December 31, 2013:

- (a) Chief Executive Officer (“CEO”);
- (b) Vice President, Finance and Chief Financial Officer (“CFO”);
- (c) the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was individually more than \$150,000; and
- (d) each individual who would be an NEO under (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of the most recently completed financial year.

Name and principal position	Year	Salary (US\$)	Share-based Awards (US\$)	Option-based Awards (US\$)	Non-Equity incentive plan compensation (US\$)		Pension Value (US\$)	All other compensation (US\$)	Total compensation (US\$)
					Annual incentive plans (Annual Bonus Awards)	Long-term incentive plans (Milestone Bonuses)			
Herbert G.A. Wilson President & CEO	2013	307,373	n/a	213,703	28,206	Nil	n/a	Nil	549,282
	2012	312,175	n/a	Nil	23,177	Nil	n/a	Nil	335,352
	2011	309,847	n/a	119,180	Nil	Nil	n/a	Nil	428,865
David F. Singleton Director, Eagle Rock Aggregates, Inc. <i>See: Note 1</i>	2013	250,133	n/a	106,851	15,000	Nil	n/a	Nil	371,984
	2012	303,558	n/a	Nil	20,000	Nil	n/a	Nil	323,558
	2011	290,440	n/a	59,590	Nil	Nil	n/a	Nil	350,030
William B. Terry President & CEO, Eagle Rock Aggregates, Inc.	2013	266,675	n/a	106,851	20,000	n/a	n/a	15,697	409,223
	2012	254,721	n/a	Nil	20,000	n/a	n/a	15,679	290,400
	2011	249,544	n/a	59,590	Nil	n/a	n/a	18,857	327,991
Kenneth M. Palko Vice President, Operations	2013	201,905	n/a	106,851	16,924	n/a	n/a	10,099	335,779
	2012	200,112	n/a	Nil	15,077	n/a	n/a	10,051	225,240
	2011	193,970	n/a	47,672	Nil	n/a	n/a	9,702	251,344
Darren K. McDonald Vice President, Finance and Chief Financial Officer	2013	187,063	n/a	106,851	16,924	n/a	n/a	9,364	320,202
	2012	175,299	n/a	Nil	13,066	n/a	n/a	8,805	197,170
	2011	160,069	n/a	47,672	14,663	n/a	n/a	4,742	227,146

*Note 1: The contract remuneration for Mr. Singleton includes an allowance for the costs of maintaining an office for Eagle Rock Aggregates, Inc. in Roswell, GA, together with support services.*



### Notes to Summary Compensation Table – Conversion Methods

Salaries paid in CAD\$ were translated to US\$ using the three-month average exchange rates as identified in the earlier section entitled *Currency and Fair Value*.

All incentive stock options are granted and exercisable in CAD\$. Grant date fair value was calculated using the Black-Scholes option pricing model with appropriate assumptions as described in the earlier section entitled *Currency and Fair Value* and then translated to US\$ using the Bank of Canada noon exchange rate on the option grant date.

Non-equity incentive compensation (annual bonus awards and milestone bonuses) paid in CAD\$ are translated to US\$ using the appropriate three-month average exchange rate as identified earlier in *Currency and Fair Value*. No milestone bonuses were awarded in 2013.

### Notes to Summary Compensation Table – Named Executive Officer (NEO) Details

#### **Herbert G. A. Wilson**

#### **President and Chief Executive Officer; Director**

Mr. Wilson was appointed Senior Vice President and Chief Operating Officer of the Company under an agreement dated May 12, 2004. On July 14, 2008, the Company entered into a second employment agreement with Mr. Wilson which provided that Mr. Wilson would assume the position of President and Chief Executive Officer of the Company effective January 1, 2009 and that, effective July 14, 2008, Mr. Wilson would receive an annual salary, payable in CAD\$, of CAD\$295,000 subject to subsequent annual adjustments and an annual bonus to a maximum of 45% of base salary, subject to approval by the Board of Directors.

The 2004 agreement provided that Mr. Wilson be eligible for certain milestone bonuses which were reconfirmed in the 2008 employment agreement, consisting of CAD\$200,000 upon first achieving the sale of two million tonnes of construction aggregates from the Company's projects within a calendar year. This milestone was achieved, and the bonus paid, in 2008. The agreements also provided that Mr. Wilson be eligible for an additional milestone bonus of CAD\$200,000 upon first achieving sales from the Company's projects, in aggregate, in excess of four million tonnes within a calendar year, an event which has not yet taken place.

The agreement also provides for termination payments and benefits as described later in the section entitled *Termination and Change of Control Benefits*.

All compensation payable to Mr. Wilson is paid in CAD\$. During the three most recently completed financial years, Mr. Wilson earned the following compensation paid in CAD\$ (which is reflected in US\$ in the earlier *Summary Compensation Table*):

Year	Base Salary (CAD\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (CAD\$)	Milestone Bonuses (CAD\$)	All Other Compensation (CAD\$)
2013	316,550	200,000	30,000	Nil	Nil
2012	312,000	Nil	23,000	Nil	Nil
2011	306,425	200,000	Nil	Nil	Nil

Mr. Wilson has elected not to participate in the RRSP contribution benefit, therefore, compensation under *All Other Compensation* is nil.

Mr. Wilson's compensation is for his executive officer role and he receives no additional compensation for his service as a director.

**David F. Singleton**  
**Director, Eagle Rock Aggregates, Inc.**

On May 12, 2004, Polaris Aggregates Inc., a subsidiary of the Company, entered into a services agreement (the “Agreement”) with Proconsult UK Ltd. (“Proconsult”), a company controlled by David Singleton. Mr. Singleton served as the President of Eagle Rock Aggregates, Inc., the Company’s US marketing and distribution subsidiary, until June 30<sup>th</sup>, 2013. He is also a director of several other subsidiaries of the Company. The Agreement commenced on July 1, 2004 for a five year term, was renewed on July 1, 2009 for a three year term and renewed again on July 1, 2012 for one year. On July 1, 2013 the Agreement was again renewed (the “2013 Extension”) for a one year term that reflects Proconsult’s wish to reduce the time committed to the affairs of the Company.

The Agreement provides that Proconsult provide management services in relation to identifying, securing and developing port terminal and distribution sites on the North American Pacific coast, and the management of related engineering, environmental, marketing and financial evaluations. Proconsult receives an annual fee, subject to annual adjustments, as well as a fixed annual sum with respect to the cost of maintaining an office and providing an administrative support person, the sum of which is shown in the *Summary Compensation Table* column entitled “Salary”. The Agreement also provides for the reimbursement of reasonable expenses incurred during the execution of contracted duties including the reimbursement of health insurance costs for Mr. Singleton and the administrative support person. 50% of Proconsult’s time is presently provided to the Company.

The 2013 Extension provided that Proconsult is eligible for a milestone bonus of US\$300,000 upon the Company first achieving sales from its projects, in aggregate, in excess of four million tonnes (the “Target”) within either of calendar years 2013 or 2014. The Target was not met in 2013. If the Target is met in any one calendar year between 2015 and 2019 Proconsult will be eligible for a milestone bonus payment of \$150,000.

The agreement also provides for termination payments and benefits as described later in the section entitled *Termination and Change of Control Benefits*.

All fees and compensation payable to Proconsult are paid in US\$ other than incentive stock options which are granted and exercisable in CAD\$. During the three most recently completed financial years, Proconsult earned the following monetary compensation paid in US\$ (which is also reflected in the earlier *Summary Compensation Table*) and Mr. Singleton was granted the following stock options:

Year	Base Salary (Annual Fee and Office Expenses)  (US\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (US\$)	Milestone Bonuses  (US\$)	All Other Compensation (US\$)
2013	250,133	100,000	15,000	Nil	Nil
2012	303,558	Nil	20,000	Nil	Nil
2011	290,440	100,000	Nil	Nil	Nil

Mr. Singleton is not eligible to participate in the 401(k) benefit, therefore, compensation under *All Other Compensation* is nil.

**William B. Terry**  
**President & Chief Executive Officer, Eagle Rock Aggregates, Inc.**

Mr. Terry commenced employment with Eagle Rock Aggregates, Inc., a subsidiary of the Company, on June 28, 2006, as General Manager, California Operations. On January 1, 2009, Mr. Terry was appointed Chief Executive Officer of Eagle Rock Aggregates, Inc. with no change made to his employment agreement.

Mr. Terry's employment agreement provides for an annual base salary, subject to annual adjustments, and an annual bonus, if any, with a target award of US\$45,000 to be determined by the Board of Directors of the Company.

The agreement also provides for termination payments and benefits as described later in the section entitled *Termination and Change of Control Benefits*.

All fees and compensation payable to Mr. Terry are paid in US\$ other than incentive stock options which are granted and exercisable in CAD\$. During the three most recently completed financial years, Mr. Terry earned the following compensation in US\$ (which is also reflected in the earlier *Summary Compensation Table*):

Year	Base Salary (US\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (US\$)	Milestone Bonuses (US\$)	All Other Compensation (US\$)
2013	266,675	100,000	20,000	n/a	15,697
2012	254,721	Nil	20,000	n/a	15,679
2011	249,544	100,000	Nil	n/a	18,857

The amounts under *All Other Compensation* are the total Company contributions made to Mr. Terry's 401(k) account under the Company's 401(k).

**Kenneth M. Palko**  
**Vice President, Operations**

On December 14, 2007, the Company entered into an employment agreement with Kenneth M. Palko pursuant to which Mr. Palko was appointed Vice President, Technical Services of the Company effective February 18, 2008. This employment agreement provides for an annual base salary subject to annual adjustments, and an annual bonus, if any, with a target award of 15% of base annual salary in 2008 and 20% of base annual salary in 2009, subject to approval by the Board of Directors of the Company.

The agreement also provides for termination payments and benefits as described later under the section entitled *Termination and Change of Control Benefits*.

In June, 2011, Mr. Palko's responsibilities were expanded to include management of the Company's Orca Quarry and his title changed to Vice President, Operations. In 2012, he became President and CEO of Orca Sand & Gravel Ltd.

All compensation payable to Mr. Palko is paid in CAD\$. During the three most recently completed financial years, Mr. Palko earned the following compensation paid in CAD\$ (which is reflected in US\$ in the earlier *Summary Compensation Table*):

Year	Base Salary (CAD\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (CAD\$)	Milestone Bonuses (CAD\$)	All Other Compensation (CAD\$)
2013	208,000	100,000	18,000	n/a	10,400
2012	200,000	Nil	15,000	n/a	10,000
2011	191,880	80,000	Nil	n/a	9,594

The amounts under *All Other Compensation* are the Company contributions made to Mr. Palko's RRSP account under the Company's group RRSP.

**Darren K. McDonald**  
**Vice President, Finance and Chief Financial Officer**

Mr. McDonald joined the Company in January 2009 in the position of Controller and received stock options that were granted upon his joining. In May 2011, he was appointed Vice President, Finance as a consequence of the Company's former CFO departing. Recognizing his importance at this critical time, the Company offered to pay Mr. McDonald a bonus of \$15,000 at December 31, 2011, which was duly paid. Mr. McDonald was deemed to be an NEO for the first time in 2011. On June 14<sup>th</sup>, 2012, the Company entered into an employment agreement with Mr. McDonald which provided for an annual base salary of CAD\$175,200 subject to annual adjustments, and an annual incentive bonus, if any, subject to approval by the Board of Directors of the Company. In December 2012, Mr. McDonald was appointed the Company's Chief Financial Officer.

The agreement also provides for termination payments and benefits as described later under the section entitled *Termination and Change of Control Benefits*.

Year	Base Salary (CAD\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (CAD\$)	Milestone Bonuses (CAD\$)	All Other Compensation (CAD\$)
2013	192,850	100,000	18,000	n/a	9,643
2012	175,200	Nil	13,000	n/a	8,760
2011	158,427	80,000	15,000	n/a	4,689

The amounts under *All Other Compensation* are the Company contributions made to Mr. McDonald's RRSP account under the Company's group RRSP.

### 3.4. INCENTIVE PLAN AWARDS

#### Incentive Stock Option Plan

The Company's Incentive Stock Option Plan (the "Option Plan"), which is summarized below, was last amended and restated as of May 16, 2006 and was re-confirmed by the shareholders, in accordance with the policies of the Toronto Stock Exchange (the "TSX"), at the 2012 Annual General meeting of the Company which took place on June 6, 2012.

The purpose of the Option Plan is to attract and retain superior directors, officers, advisors, employees and other persons or companies engaged to provide ongoing services to the Company as incentive for such persons to put forth maximum effort for the continued success and growth of the Company and, in combination with these goals, to encourage their participation in the performance of the Company.

The Option Plan reserves a maximum of 10% of the issued and outstanding common shares pursuant to options granted under the Option Plan, currently 8,046,921 shares. As of the date hereof, options to acquire an aggregate of 4,049,209 shares are outstanding under the Option Plan, representing approximately 5.0% of the issued and outstanding common shares. Options which have expired, were cancelled or otherwise terminated without having been exercised, and those which have been exercised are available for subsequent grants under the Option Plan.

The Option Plan provides that the Board of Directors may, from time to time, grant options to acquire all or part of the common shares subject to the Option Plan to directors, officers, advisors, employees, and other persons or companies engaged to provide ongoing services to the Company. The options are non-assignable and non-transferable other than by will or by laws governing the devolution of property in the event of death. Each option entitles the holder to purchase one common share. The exercise price for options granted pursuant to the Option Plan is determined by the Board of Directors on the date of the grant, which price may not be less than the market value. Market value is defined under the Option Plan as the closing price of the common shares on the TSX on the



trading day immediately preceding the grant day and, if there is no closing price, the price of last sale prior thereto. The term of the options granted is determined by the Board of Directors, which term may not exceed a maximum of ten years from the date of the grant. The Board also has the authority to determine the vesting conditions of the options and certain other terms and conditions of the options. Options granted under the Option Plan may be exercised as soon as they have vested. The Option Plan does not contemplate that the Company will provide financial assistance to any optionee in connection with the exercise of options.

In accordance with the rules of the Option Plan and the TSX, options granted under the Option Plan are subject to certain restrictions which include:

- a) The number of common shares which may be reserved for issuance pursuant to options granted under the Option Plan to any one person in any one year may not exceed 5% of the common shares issued and outstanding on a non-diluted basis from time to time;
- b) The number of common shares which may be reserved for issuance pursuant to the Option Plan (or any other share compensation arrangement) to all insiders of the Company may not exceed 10% of the issued and outstanding common shares on a non-diluted basis from time to time; and
- c) The number of common shares which may be issued pursuant to the Option Plan (or any other share compensation arrangement) to all insiders of the Company within a one-year period may not exceed 10% of the issued and outstanding common shares on a non-diluted basis from time to time.

An optionee whose employment with the Company is terminated as a result of retirement, disability or redundancy will have 60 days from the date of termination to exercise any options that had vested as of the termination date. An optionee whose employment with the Company is terminated, other than for cause, at any time in the six months following a change of control of the Company, shall have 90 days from the date of termination to exercise any options granted, and all options granted will immediately vest on the date of the termination. In the event of the death of an optionee, either prior to termination or after retirement or disability, the optionee's legal representative will have one year from the date of the optionee's death to exercise any options that had vested on the date of the optionee's death. In the event of any other termination, the optionee shall have 30 days from the date of termination to exercise any options that had vested as of the termination date. In the event that an optionee is terminated for cause, any options not exercised prior to the termination date shall lapse. Notwithstanding the foregoing, no option shall be exercisable following the expiration of the option period applicable thereto.

In the event that the Company:

- a) subdivides, consolidates or reclassifies the Company's outstanding common shares, or makes another capital adjustment or pays a stock dividend, the number of common shares receivable under the Option Plan will be increased or decreased proportionately; or
- b) amalgamates, consolidates with or merges with or into another body corporate, holders of options under the Option Plan will, upon exercise thereafter of such option, be entitled to receive and compelled to accept, in lieu of common shares, such other securities, property or cash which the holder would have received upon such amalgamation, consolidation or merger if the option was exercised immediately prior to the effective date of such amalgamation, consolidation or merger.

Subject, where required, to the approval of the TSX, and/or applicable securities regulatory authorities, the Board may, from time to time, amend, suspend or terminate the Option Plan in whole or in part.

In addition, the Option Plan and any outstanding options may be amended or terminated by the Board if the amendment or termination is required by any securities regulatory, a stock exchange or a market as a condition of

approval to a distribution to the public of the common shares or to obtain or maintain a listing or quotation of the common shares.

The Board may also amend or terminate any outstanding options, including, but not limited to, substituting another award of the same or of a different type or change the date of exercise, provided, however, that the holder of the option must consent to such action if it would materially and adversely affect the holder.

A copy of the Option Plan may be obtained by any shareholder by request to the Secretary of the Company at Suite 2740, PO Box 11175, 1055 West Georgia Street, Vancouver, BC, V6E 3R5 or by email to hwilson@polarmin.com.

### Outstanding Option-Based Awards

Outstanding option-based awards for NEOs as at December 31, 2013, the end of the Company's most recently completed financial year, are set out in the following table:

Name	Option-based Awards				
	Number (#) of securities underlying unexercised options	Option exercise price		Option expiry date	Value of unexercised in-the-money options US \$
		CAD \$	US \$		
Herbert G. A. Wilson President and CEO	200,000	1.56	1.47	June 4, 2023	45,130
	200,000	0.94	0.88	June 17, 2021	161,714
	75,000	1.99	1.87	July 06, 2019	Nil
	78,750	13.75	12.93	Oct. 04, 2017	Nil
	6,042	5.60	5.27	May 16, 2016	Nil
David F. Singleton Director Eagle Rock Aggregates Inc.	100,000	1.56	1.47	June 4, 2023	22,565
	100,000	0.94	0.88	June 17, 2021	80,857
	75,000	1.99	1.87	July 06, 2019	Nil
	78,750	13.75	12.93	Oct. 04, 2017	Nil
	10,000	4.80	4.51	Jan. 23, 2016	Nil
	5,000	4.00	3.76	Jan. 20, 2015	Nil
William B. Terry President & CEO Eagle Rock Aggregates Inc.	100,000	1.56	1.47	June 4, 2023	22,565
	100,000	0.94	0.88	June 17, 2021	80,857
	70,000	1.99	1.87	July 06, 2019	Nil
	80,000	4.80	4.51	June 30, 2013	Nil
	70,000	11.41	10.78	Jan. 01, 2013	Nil
Kenneth M. Palko Vice President Operations	100,000	1.56	1.47	June 4, 2023	22,565
	80,000	0.94	0.88	June 17, 2021	64,686
	50,000	1.99	1.87	July 06, 2019	Nil
	85,000	8.69	8.21	Feb. 17, 2018	Nil
Darren K. McDonald Vice President Finance and Chief Financial Officer	100,000	1.56	1.47	June 4, 2023	22,565
	80,000	0.94	0.88	June 17, 2021	64,686
	25,000	1.49	1.41	Jan. 04, 2019	7,287

Incentive stock options are granted and exercisable in CAD\$. The value of unexercised in-the-money options noted above is based on the TSX market closing price of the Company's common shares on December 31, 2013, being CAD\$1.80. Option exercise prices and 2013 year-end market closing price were translated from CAD\$ to US\$ using the December 31, 2013 spot rate of CAD\$1.00 = US\$0.9402 (see *Currency and Fair Value* earlier in this document). Typically, the vesting terms of stock options awards granted to NEOs are as follows: one-third of the options vest immediately upon the grant date, one-third vest one year after the grant date, and the remaining one-third vest two years after the grant date, with a term of ten years from the date of grant.

### Share-Based Awards

The Company does not make share-based awards and does not have a policy in place that would enable it to do so. Therefore no such awards have been made to NEOs and none are outstanding.

### Incentive Plan Awards – Value Vested or Earned During the Year

The following table discloses incentive plan awards, including annual incentive bonuses and contracted milestone bonuses, awarded during the year ended December 31, 2013:

Name	Option-based awards Value vested during the year (US\$)	Share-based awards Value vested during the year (US\$)	Non-equity incentive plan compensation Value earned during the year (US\$)
Herbert G.A. Wilson	32,594	n/a	28,206
David F. Singleton	16,297	n/a	15,000
William B. Terry	16,297	n/a	20,000
Kenneth M. Palko	13,038	n/a	16,924
Darren K. McDonald	13,038	n/a	16,924

### PENSION PLAN BENEFITS

The Company does not have any defined benefit or defined contribution plans.

### TERMINATION AND CHANGE OF CONTROL BENEFITS

All translations from CAD\$ to US\$ in this section are made using the December 31, 2013 spot rate of CAD\$1.00 = US\$0.9402. (Refer to *Currency and Fair Value* earlier in this document.)

#### ***Herbert G.A. Wilson*** ***President and Chief Executive Officer***

Mr. Wilson's employment agreement with the Company includes the following termination and change of control compensation and benefit scenarios. All amounts would be payable in CAD\$.

- If Mr. Wilson resigns before earning the four million tonne milestone bonus (as described in the previous *Summary Compensation* section), the Company will pay Mr. Wilson CAD\$100,000 within 60 days of the end of the calendar year in which construction aggregates sales from the Company's projects, in aggregate, first exceed four million tonnes. If Mr. Wilson had resigned on December 31, 2013, the Company would be required to award Mr. Wilson this milestone bonus when the Company achieves four million tonnes in sales. The date this occurs, and thus the date of payment, are not reasonably determinable; therefore no relevant US\$ equivalent is stated herein.
- If the Company terminates Mr. Wilson's employment, for reasons other than just cause, before Mr. Wilson has earned the four million tonne milestone bonus, the Company will pay Mr. Wilson a sum equal to two years of Mr. Wilson's then current base annual salary, plus an amount equal to the cost of the employee benefits, other than bonus and incentive stock options, for a period of two years; and the Company will pay to Mr. Wilson the CAD\$200,000 milestone bonus within 60 days of the end of the calendar year in which construction aggregates sales from the projects, in aggregate, first exceed four million tonnes. If the Company had terminated Mr. Wilson's employment on December 31, 2013, for reasons other than just cause, the Company would have been required to remit to Mr. Wilson, upon termination, payments as follows:

	<u>CAD\$</u>	<u>US\$</u>	
Two years' base annual salary	633,100	614,746	
Cost of two years' benefits	<u>28,069</u>	<u>26,390</u>	
<i>Sub-Total:</i>	661,169	641,136	
When four million tonne milestone is achieved	<u>200,000</u>	indeterminable	(+/- \$200,000)
<i>Total:</i>	861,169	Indeterminable	(+/- \$809,672)

- If the Company terminates Mr. Wilson's employment without just cause after Mr. Wilson has earned the four million tonne milestone bonus, the Company will pay to Mr. Wilson a sum equal to two years of Mr. Wilson's then current base annual salary, plus an amount equal to the cost of the employee benefits, other than bonus and incentive stock options, for a period of two years. It would not have been possible for this scenario to have taken place as of December 31, 2013 as the four million tonne milestone has not yet been achieved.
- In the event of a "change of control" of the Company, if Mr. Wilson's employment is terminated by the Company or the successor Company within one year of such change of control, Mr. Wilson will be entitled to severance pay in an amount equal to two years' base salary plus the cost of two years' benefits, other than bonus and incentive stock options. As well, the Company would be required to pay to Mr. Wilson the CAD\$200,000 milestone bonus within 60 days of the end of the calendar year in which construction aggregates sales from the projects, in aggregate, first exceed four million tonnes. If the Company had terminated Mr. Wilson's employment on December 31, 2013, for reasons other than just cause, the Company would have been required to remit to Mr. Wilson, upon termination, payments as follows:

	<u>CAD\$</u>	<u>US\$</u>	
Two years' base annual salary	633,100	614,746	
Cost of two years' benefits	<u>28,069</u>	<u>26,390</u>	
<i>Sub-Total:</i>	661,169	641,136	
When four million tonne milestone is achieved	<u>200,000</u>	indeterminable	(+/- \$200,000)
<i>Total:</i>	861,169	Indeterminable	(+/- \$809,672)

- In the event of a "change of control" of the Company, if Mr. Wilson resigns within one year of such change of control, he will be entitled to severance pay in an amount equal to one year's base salary plus the cost of one year's benefits, other than bonus and incentive stock options. In addition, the Company would be required to award Mr. Wilson the aforementioned CAD\$200,000 milestone bonus within 60 days of the end of the calendar year in which construction aggregates sales from the projects, in aggregate, first exceed four million tonnes. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. Wilson as follows:

	<u>CAD\$</u>	<u>US\$</u>	
One year's base annual salary	316,550	307,373	
Cost of one year's benefits	<u>14,034</u>	<u>13,195</u>	
<i>Sub-Total:</i>	330,584	320,568	
When four million tonne milestone is achieved	<u>200,000</u>	indeterminable	(+/- \$200,000)
<i>Total:</i>	530,584	Indeterminable	(+/- \$498,855)

Mr. Wilson's outstanding and unexercised in-the-money incentive stock options as of December 31, 2013 had a value of \$220,000 (US\$206,844).





**David F. Singleton**  
**Director, Eagle Rock Aggregates, Inc.**

Proconsult’s services agreement with Polaris Aggregates Inc., a subsidiary of the Company, terminates on June 30<sup>th</sup>, 2014. The 2013 Extension to the services agreement with Proconsult stipulated the terms under which a milestone bonus, for achieving four million tonnes of sales in a calendar year, would be payable if achieved after the termination of the services agreement. Proconsult’s services agreement also includes the following termination and change of control compensation and benefits scenarios. All amounts would be payable in US\$. All such termination and change of control compensation and benefit provisions terminate upon the termination of the services agreement on June 30<sup>th</sup>, 2014.

If Proconsult resigns before earning the four million tonne milestone bonus (as described in the previous *Summary Compensation* section), providing this occurs before June 30<sup>th</sup>, 2014, the Company will pay to Proconsult US\$150,000 within 60 days of the end of the calendar year in which construction aggregates sales from the Company’s projects, in aggregate, first exceed four million tonnes, provided that such event takes place within 24 months of such resignation. If Proconsult had resigned on December 31, 2013, the Company would be required to award Proconsult this milestone bonus within 60 days of December 31, 2014 provided that the Company achieves this milestone by that date.

If the Company terminates the services agreement with Proconsult, for reasons other than just cause, during the term of the services agreement which terminates on June 30, 2014, and before Proconsult has earned the four million tonne milestone bonus (as described in the previous *Summary Compensation* section), the Company must pay to Proconsult a sum equal to one year of Proconsult’s then current annual base fee and office expenses, and the Company must pay Proconsult US\$300,000 within 60 days of the end of the calendar year in which construction aggregates sales from the Company’s projects, in aggregate, first exceed four million tonnes provided such calendar year occurs within 24 months of termination. If Proconsult had been terminated on December 31, 2013, the Company would have been required to compensate Proconsult as follows:

	<u>US\$</u>
One year’s annual base fee	235,133
Cost of one year’s office expenses	<u>15,000</u>
<i>Sub-Total:</i>	250,133
If four million tonne milestone is achieved in 2014 or 2015	<u>300,000</u>
<i>Total:</i>	550,133

In the event of a “change of control” of the Company, if Proconsult’s engagement is terminated by the Company or any successor Company after such change of control and prior to the termination date of the agreement, Proconsult will be entitled to payment in an amount equal to two years’ base fee and the Company must pay Proconsult US\$300,000 within 60 days of the end of the calendar year in which construction aggregates sales from the Company’s projects, in aggregate, first exceed four million tonnes provided such calendar year occurs within 24 months of termination. If Proconsult had been terminated on December 31, 2013, the Company would have been required to compensate Proconsult as follows:

	<u>US\$</u>
Two years’ annual base fee	470,266
If four million tonne milestone is achieved in 2014 or 2015	<u>300,000</u>
<i>Total:</i>	770,266

Mr. Singleton’s outstanding and unexercised in-the-money vested incentive stock options as of December 31, 2013 had a value of \$103,422 (CAD\$110,000).



**William B. Terry**  
**Chief Executive Officer, Eagle Rock Aggregates, Inc.**

Mr. Terry’s employment agreement with Eagle Rock Aggregates, Inc., a subsidiary of the Company, includes the following termination and change of control compensation and benefit scenarios. All amounts would be payable in US\$.

- If the Company terminates Mr. Terry’s employment without just cause, he will be entitled to a sum equal to 26 weeks of his then current base annual salary plus an amount equal to the cost of his employee benefits, and a pro-rata annual bonus, but excluding incentive stock options, for such period. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. Terry as follows:

	<u>US\$</u>
26 weeks’ base annual salary	133,338
Cost of 26 weeks’ benefits	32,088
Pro-rata annual bonus (assuming contracted target award)	<u>22,500</u>
<i>Total:</i>	187,926

- In the event of a “change of control” of the Company, if Mr. Terry’s employment is terminated by the Company or the successor Company within six months of such change of control, Mr. Terry will be entitled to severance pay in an amount equal to one year’s base salary plus the cost of one year’s benefits, other than bonus and incentive stock options. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. Terry as follows:

	<u>US\$</u>
One year’s base annual salary	266,675
Cost of one year’s benefits	<u>64,177</u>
<i>Total:</i>	330,852

- In the event of a “change of control” of the Company, if Mr. Terry resigns within six months of such change of control, he will be entitled to severance pay in an amount equal to one year’s base salary plus the cost of one year’s benefits, other than bonus and incentive stock options. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. Terry as follows:

	<u>US\$</u>
One year’s base annual salary	266,675
Cost of one year’s benefits	<u>64,177</u>
<i>Total:</i>	330,852

- In the event of a “change of control” of the Company, if Mr. Terry is terminated by the Company or the successor Company between six and 12 months after such change of control, he will be entitled to severance pay in an amount equal to 26 weeks’ base salary plus the cost of 26 weeks’ benefits, other than bonus and incentive stock options. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. Terry as follows:

	<u>US\$</u>
26 weeks’ base annual salary	133,338
Cost of 26 weeks’ benefits	<u>32,088</u>
<i>Total:</i>	165,426

- In the event of a “change of control” of the Company, if Mr. Terry resigns between six and 12 months after such change of control, he will be entitled to severance pay in an amount equal to 26 weeks’ base salary plus the cost of 26 weeks’ benefits, other than bonus and incentive stock options. If such event had

occurred on December 31, 2012, the Company would have been required to compensate Mr. Terry as follows:

	<u>US\$</u>
26 weeks' base annual salary	133,338
Cost of 26 weeks' benefits	<u>32,088</u>
<i>Total:</i>	165,426

Mr. Terry's outstanding and unexercised in-the-money incentive stock options as of December 31, 2013 had a value of \$103,422 (CAD\$110,000).

**Kenneth M. Palko**  
**Vice President, Technical Services**

Mr. Palko's employment agreement with the Company includes the following termination and change of control compensation and benefit scenarios. All amounts would be payable in CAD\$.

- If the Company terminates Mr. Palko's employment without just cause, he will be entitled to a sum equal to 26 weeks of his then current base annual salary plus an amount equal to the cost of his employee benefits, and a pro-rata bonus, but excluding incentive stock options, for such period. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. Palko as follows:

	<u>CAD\$</u>	<u>US\$</u>
26 weeks' base annual salary	104,000	100,953
Cost of 26 weeks' benefits	11,884	11,173
Pro-rata annual bonus (assuming last contracted target award)	<u>9,000</u>	<u>8,462</u>
<i>Total:</i>	124,884	120,588

- In the event of a "change of control" of the Company, if Mr. Palko's employment is terminated by the Company or the successor Company within six months of such change of control, Mr. Palko will be entitled to severance pay in an amount equal to one year's base salary plus the cost of one year's benefits, other than bonus and incentive stock options. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. Palko as follows:

	<u>CAD\$</u>	<u>US\$</u>
One year's base annual salary	208,000	201,905
Cost of one year's benefits	<u>23,768</u>	<u>22,347</u>
<i>Total:</i>	231,768	224,252

- In the event of a "change of control" of the Company, if Mr. Palko resigns within six months of such change of control, he will be entitled to severance pay in an amount equal to one year's base salary plus the cost of one year's benefits other than bonus and incentive stock options. If such event had occurred on December 31, 2013 the Company would have been required to compensate Mr. Palko as follows:

	<u>CAD\$</u>	<u>US\$</u>
One year's base annual salary	208,000	201,905
Cost of one year's benefits	<u>23,768</u>	<u>22,347</u>
<i>Total:</i>	231,768	224,252

- In the event of a "change of control" of the Company, if Mr. Palko's employment is terminated by the Company or the successor Company between six and 12 months after such change of control, Mr. Palko will be entitled to severance pay in an amount equal to 26 weeks' base salary plus the cost of 26 weeks' benefits other than bonus and incentive stock options. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. Palko as follows:

	<u>CAD\$</u>	<u>US\$</u>
26 weeks' base annual salary	104,000	100,953
Cost of 26 weeks' benefits	<u>11,884</u>	<u>11,173</u>
<i>Total:</i>	115,884	112,126

- In the event of a "change of control" of the Company, if Mr. Palko resigns between six and 12 months after such change of control, he will be entitled to severance pay in an amount equal to 26 weeks' base salary plus the cost of 26 weeks' benefits other than bonus and incentive stock options. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. Palko as follows:

	<u>CAD\$</u>	<u>US\$</u>
26 weeks' base annual salary	104,000	100,953
Cost of 26 weeks' benefits	<u>11,884</u>	<u>11,173</u>
<i>Total:</i>	115,884	112,126

Mr. Palko's outstanding and unexercised in-the-money incentive stock options as of December 31, 2013 had a value of \$92,800 (US\$87,251).

**Darren K. McDonald**  
**Vice President Finance**

Mr. McDonald entered into an employment agreement with the Company on June 14, 2012, that includes the following termination and change of control compensation and benefit scenarios. All amounts would be payable in CAD\$.

- If the Company terminates Mr. McDonald's employment without just cause, he will be entitled to a sum equal to 26 weeks of his then current base annual salary plus an amount equal to the cost of his employee benefits, and a pro-rata bonus, but excluding incentive stock options, for such period. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. McDonald as follows:

	<u>CAD\$</u>	<u>US\$</u>
26 weeks' base annual salary	96,425	93,532
Cost of 26 weeks' benefits	11,196	10,527
Pro-rata annual bonus (assuming 2012 award level)	<u>9,000</u>	<u>8,462</u>
<i>Total:</i>	116,621	112,521

- In the event of a "change of control" of the Company, if Mr. McDonald's employment is terminated by the Company or the successor Company within six months of such change of control, Mr. McDonald will be entitled to severance pay in an amount equal to 26 weeks' base salary and benefits, other than bonus and incentive stock options. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. McDonald as follows:

	<u>CAD\$</u>	<u>US\$</u>
One year's base annual salary	192,850	187,063
Cost of one year's benefits	<u>22,392</u>	<u>21,053</u>
<i>Total:</i>	115,242	208,116

- In the event of a "change of control" of the Company, if Mr. McDonald resigns within six months of such change of control, he will be entitled to severance pay in an amount equal to 26 weeks' base salary plus benefits, other than bonus and incentive stock options. If such event had occurred on December 31, 2013, the Company would have been required to compensate Mr. McDonald as follows:



	<u>CAD\$</u>	<u>US\$</u>
One year's base annual salary	96,425	93,532
Cost of one year's benefits	<u>11,196</u>	<u>10,527</u>
<i>Total:</i>	107,621	112,521

Mr. McDonald's outstanding and unexercised in-the-money incentive stock options as of December 31, 2013 had a value of \$100,550 (US\$94,530).

#### **4. DIRECTOR COMPENSATION**

The elements of the compensation structure for non-executive directors are annual retainers, meeting fees and incentive stock options.

##### ***Annual Retainers and Meeting Fees***

The Board of Directors approved the following non-executive directors' compensation structure for fiscal year 2013 for services as a director. These payments are made in Canadian dollars:

	<u>CAD\$</u>	
	<u>To June 30</u>	<u>From July 1</u>
Annual retainer - Board Chair	30,000	45,000
Annual retainer - Non-Executive Director	20,000	30,000
Annual retainer - Audit Committee Chair	6,000	10,000
Annual retainer – Governance Compensation and Nominating Committee Chair	3,000	6,000
Board and Committee meeting fee (per meeting) in person or by telephone	1,000	1,500
Travel fee (per travel day)	1,000	1,500

The fee schedule applicable up to June 30, 2013, was first established for fiscal year 2008, and had remained unchanged until July 1, 2013, when a new rate structure was approved by the Governance, Compensation and Nominating Committee of the Board and implemented.

##### ***Incentive Stock Options***

Directors are also compensated for their services in their capacity as directors through the granting by the Company of stock options from time to time in accordance with the Option Plan and the policies of the TSX. Such grants typically take place on an annual basis, however, options are not granted if the Company is under a trading black-out in accordance with its Corporate Disclosure Policy (see *Report on Corporate Governance – Ethical Business Conduct*). If a trading black-out is in effect at a time when the Board has considered the grant of options, such grants are postponed until the conclusion of the trading black-out at which time the grant date of such options is set at least two full trading days after the conclusion of the of the trading black-out in accordance with the Company's Disclosure Policy.

Refer to *Statement of Executive Compensation – Incentive Plan Awards – Incentive Stock Option Plan* for further details regarding the Option Plan.

The Governance, Compensation and Nominating Committee recommends to the Board of Directors the quantity of options to be granted to directors. All option grants are approved by the Board. The following table discloses all compensation provided to the directors for the Company's most recently completed financial year ending December 31, 2013:

Name	Fees earned (US\$)	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	Pension value (US\$)	All other compensation (US\$)	Total (US\$)
Terrence A. Lyons	46,992	n/a	100,461	n/a	n/a	Nil	147,453
Eugene P. Martineau	39,699	n/a	100,461	n/a	n/a	Nil	140,160
Marco A. Romero	45,142	n/a	100,461	n/a	n/a	34,959	180,562
Lenard F. Boggio <sup>1</sup>	34,187	n/a	100,461	n/a	n/a	Nil	134,648

Note 1: Mr. Boggio was appointed a director on April 1<sup>st</sup>, 2013.

Directors' fees are paid in CAD\$ and were translated to US\$ using the three-month average exchange rates for 2013, as applicable for each quarterly payment.

Incentive stock options are granted and exercisable in CAD\$. Grant date fair value was calculated using the Black-Scholes option pricing model with appropriate assumptions as described in the section entitled *Currency and Fair Value* (earlier in this document) and then translated to US\$ using the Bank of Canada noon exchange rate on the option grant date.

Mr. Wilson did not receive compensation for his role as a director. His compensation as an NEO is described in the *Statement of Executive Compensation*.

Marco A. Romero's compensation stated in the "All other compensation" column reflects payment under a consulting agreement entered into between the Company and Mr. Romero on July 14, 2008, with an effective date of January 1, 2009, such agreement having an eight year term. Under this agreement, Mr. Romero provided consulting services to the Company at an annual fee of CAD\$10.00 plus an hourly rate of CAD\$150.00 with a guaranteed minimum of 20 hours per month for the first 36 months of the agreement. In January 2012, recognizing the ongoing value of these services, the Company extended the consulting services agreement by a further three years at a fixed monthly fee of CAD\$3,000. During the most recently completed financial year ending December 31, 2013, the Company paid Mr. Romero CAD\$36,000 (US\$34,959) for services under this agreement. This compensation was translated from CAD\$ to US\$ using the 2013 three-month average exchange rates as applicable at the time of each payment. (Refer to *Currency and Fair Value* earlier in this document.)

Eugene P. Martineau's compensation stated in the "All other compensation" column reflects payment under an agreement between the Company and Martineau & Associates, a company controlled by Mr. Martineau. This agreement provides that Mr. Martineau will receive a fee of US\$1,000 per day when working on projects to advance the Company's marketing and commercial interests. During the most recently completed financial year ended December 31, 2013, the Company did not pay fees to Martineau & Associates.

#### Share-Based Awards

The Company does not make share-based awards and does not have a policy in place that would enable it to do so. Therefore no such awards have been made to non-executive directors and none are outstanding.

#### Incentive Plan Awards

Outstanding option-based awards for non-executive directors as at December 31, 2013, the end of the Company's most recently completed financial year, are set out in the following table:

Name	Option-based Awards				
	Number (#) of securities underlying unexercised options	Option exercise price		Option expiry date	Value of unexercised in-the-money options US \$
		CAD \$	US \$		
Terrence A. Lyons	100,000	1.56	1.47	June 4, 2023	22,565
	50,000	0.94	0.88	June 17, 2021	40,429
	30,000	1.99	1.87	July 06, 2019	Nil
	92,000	13.75	12.93	Oct. 04, 2017	Nil
	25,000	4.80	4.51	Jan. 23, 2016	Nil
	20,000	4.00	3.76	Jan. 20, 2015	Nil
	50,000	4.00	3.76	May 01, 2014	Nil
Eugene P. Martineau	100,000	1.56	1.47	June 4, 2023	22,565
	50,000	0.94	0.88	June 17, 2021	40,429
	50,000	1.80	1.69	Mar. 31, 2020	Nil
Marco A. Romero	100,000	1.56	1.47	June 4, 2023	22,565
	50,000	0.94	0.88	June 17, 2021	40,429
	30,000	1.99	2.00	July 06, 2019	Nil
	153,000	13.75	13.82	Oct. 04, 2017	Nil
	5,000	4.80	4.82	Jan. 23, 2016	Nil
	2,500	4.00	4.02	Jan. 20, 2015	Nil
	2,500	2.75	2.76	Jan. 15, 2014	Nil
Lenard F. Boggio	100,000	1.56	1.47	June 4, 2023	22,565

Incentive stock options are granted and exercisable in CAD\$. The value of unexercised in-the-money options noted above is based on the TSX market closing price of the Company's common shares on December 31, 2013, being CAD\$1.80. Option exercise prices and 2013 year-end market closing price were translated from CAD\$ to US\$ using the December 31, 2013 spot rate of CAD\$1.00 = US\$0.9402 (see *Currency and Fair Value* earlier in this document).

The vesting terms of stock options awards granted to independent directors since 2008 have been as follows: one-third of the options vest immediately upon the grant date, one-third vest one year after the grant date and one-third vest two years after the grant date, with a term of five or ten years from the date of grant.

The following table discloses incentive plan awards for the year ended December 31, 2013:

Name	Option-based awards Value vested during the year (US\$)	Share-based awards Value vested during the year (US\$)	Non-equity incentive plan compensation Value earned during the year (US\$)
Terrence A. Lyons	8,149	n/a	n/a
Eugene P. Martineau	8,149	n/a	n/a
Marco A. Romero	8,149	n/a	n/a
Lenard F. Boggio	Nil	n/a	n/a

## 5. OTHER COMPENSATION MATTERS

### Proportion of Common Shares Held by Directors and Executive Officers

Collectively, as of the date hereof, the directors and executive officers of the Company, as a group, own 607,145 common shares (3,238,187 on a fully diluted basis) representing approximately 0.8% (3.8% on a fully diluted basis) of the issued and outstanding common shares.

### Indebtedness of Directors and Executive Officers

No current or former executive officer, director or employee of the Company or any of its subsidiaries or any proposed nominee for election as a director of the Company, or any associate or affiliate of any such executive officer, director, employee or proposed nominee, is or has been indebted to the Company or any of its subsidiaries, or to any other entity that was provided a guarantee, support agreement, letter of credit or other similar arrangement by the Company or any of its subsidiaries in connection with the indebtedness, at any time since the beginning of the most recently completed financial year of the Company.

### Equity Compensation Plan Information

The following table is as of December 31, 2013

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights  (a)	Weighted average exercise price of outstanding options, warrants and rights  (b)	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)  (c)
Equity compensation plans approved by security holders (Incentive Stock Option Plan)	4,049,209	US\$3.71	3,990,420
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	4,049,209	US\$3.71	3,990,420

The weighted average exercise price in column (b) was translated from CAD\$3.95 to US\$3.71 using the December 31, 2013 spot rate of CAD\$1.00 = US\$0.9402.



## **6. REPORT ON CORPORATE GOVERNANCE**

The following provides information with respect to the Company's compliance with the corporate governance requirements (the "**Corporate Governance Guidelines**") of the Canadian Securities Administrators set forth in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and Form 58-101F1 - *Corporate Governance Disclosure*.

### **Board of Directors**

The Company's Board is composed of five directors. At the Meeting the Company proposes to fix the number of directors for the ensuing year at five (5).

### **Majority Voting Policy**

The Board believes that each director should have the confidence and support of the shareholders of the Company. To this end, the Board has adopted a Majority Voting Policy and future nominees for election to the Board will be required to confirm that they will abide by this policy.

Forms of proxy for the election of directors at an annual meeting of shareholders of the Company will permit a shareholder to vote in favour of or to withhold from voting separately for each director nominee. The Chair of the Board will ensure that the number of shares voted in favour or withheld from voting for each director nominee is recorded and promptly made public after such annual meeting of shareholders. If the vote was by a show of hands, the Company will disclose the number of shares voted by proxy in favour or withheld for each director.

In connection with the election of directors of the Company at an annual meeting of shareholders of the Company, if a director nominee has more votes withheld than are voted in favour of him or her, the nominee will be considered by the Board not to have received the support of the shareholders, even though duly elected as a matter of corporate law. Such a nominee will be expected to forthwith submit his or her resignation to the Board, effective on acceptance by the Board. The Board will refer the resignation to the governance, compensation and nominating committee for consideration. After review, that committee will put forward a recommendation to the Board whether to accept the tendered resignation or reject it.

The Board will promptly accept the resignation unless the Board determines, after consideration of the committee's recommendation, that there are circumstances relating to the composition of the Board or the voting results or otherwise that should delay the acceptance of the resignation or justify rejecting it. The director nominee who submitted his or her resignation will not participate in the deliberations regarding the resignation. In any event, it is expected that the resignation will be accepted (or in rare cases rejected) within 90 days of the such annual meeting.

Subject to any corporate law restrictions, the Board may (1) leave a vacancy in the Board unfilled until the next annual meeting of shareholders of the Company, (2) fill the vacancy by appointing a new director whom the Board considers to merit the confidence of the shareholders, or (3) call a special meeting of shareholders to consider new Board nominee(s) to fill the vacant position(s).

This policy does not apply where an election involves contested director elections or a proxy battle i.e., where proxy material is circulated in support of one or more nominees who are not part of the director nominees supported by the Board.

### ***Director Independence***

The Board considers a director to be independent if he meets the definition of independence set forth in National Instrument 52-110 – *Audit Committees* ("NI 52-110") and if he has no direct or indirect material relationship with the Company which, in the view of the Board of Directors, could reasonably be perceived to materially interfere with the exercise of the director's independent judgment.



The independent status of each individual director is reviewed annually by the Board. Four of the Board's five directors are deemed to be independent, and one is deemed to not be independent, as follows:

Director	Independence status	Basis for determination of non-independence
Terrence A. Lyons	Independent	Mr. Lyons has no direct or indirect material relationship with the Company as defined in NI 52-110.
Eugene P. Martineau	Independent	Mr. Martineau has no direct or indirect material relationship with the Company as defined in NI 52-110 and received less than \$75,000 in direct compensation from the Company in his role as a consultant to the Company.
Marco A. Romero	Independent	Mr. Romero was President & CEO of the Company until December 31, 2008. With effect from January 1, 2012, he has been considered to be independent.
Lenard F. Boggio	Independent	Mr. Boggio has no direct or indirect material relationship with the Company as defined in NI 52-110.
Herbert G.A. Wilson	Not Independent	Mr. Wilson is President & CEO of the Company and, therefore, does not meet the definition of independence set forth in NI 52-110.

### ***Role of the Chair***

The Chair of the Board, Terrence A. Lyons, is an independent director, as indicated above. The Chair presides at all meetings of the Board and is responsible for the operation and functioning of the Board and for ensuring the Board's effectiveness by encouraging full participation, thorough discussions and by facilitating consensus.

### ***Board and Committee Meetings***

The Board of Directors holds four regularly scheduled quarterly meetings throughout the year. Meetings are also conducted on an as-required basis in order to deal with matters as business developments warrant.

The independent directors hold four regularly scheduled meetings throughout the year, each immediately prior to the regularly scheduled quarterly Board meetings, without the presence of related directors or management and during which no minutes are taken. They may also hold ad-hoc meetings as required, but none were held during the year ending December 31, 2013. Independent directors may also discuss matters individually and in groups on an informal basis.

The Audit Committee members, all independent directors, routinely meet with representatives of PricewaterhouseCoopers LLP, the Company's auditors, without management in attendance, immediately after each regularly scheduled quarterly Audit Committee meeting. After such meetings, if deemed necessary by committee members, the Audit Committee will then meet without the auditors and management in attendance.

When a Governance, Compensation and Nominating Committee meeting takes place, it typically does so initially with the President & CEO in attendance and, thereafter with the meeting attended by committee members only, all being independent directors.

The following table summarizes directors' attendance at all Board and Committee meetings during the year ended December 31, 2013:

Director	Board of Directors		Independent Directors		Audit Committee		Governance, Compensation and Nominating Committee	
	# of meetings attended	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend
Terrence A. Lyons	4	4	4	4	4	4	n/a	n/a
Eugene P. Martineau	4	4	4	4	4	4	1	1
Marco A. Romero	4	4	4	4	n/a	n/a	1	1
Lenard F. Boggio	3	3	3	3	3	3	1	1
Herbert G. A. Wilson	4	4	n/a	n/a	n/a	n/a	n/a	n/a

### Directorships

The following table provides information about directors of the Company who are also directors of other reporting issuers (or equivalent) or publicly-traded entities.

Director	Issuer	Jurisdiction
Terrence A. Lyons	Canaccord Genuity Group Inc. Sprott Resource Corp. Martinrea International Inc.	TSX, LSE (main board) TSX TSX
Eugene P. Martineau	None	-
Marco A. Romero	Delta Gold Corporation	TSX-V
Lenard F. Boggio	Alderon Iron Ore Corp. Goldgroup Mining Inc. Great Western Minerals Group Ltd. Laurentian Goldfields Ltd. Sprott Resource Corp.	TSX TSX TSX-V TSX-V TSX
Herbert G. A. Wilson	Hudson Resources Inc.	TSX-V

### Board Mandate

The Board of Directors has adopted a written mandate for the Board which is attached hereto as *Schedule A* and is posted on the Company's website, [www.polarmin.com](http://www.polarmin.com). The Board carries out its responsibilities directly and through two Board Committees, the Audit Committee and the Governance, Compensation and Nominating Committee, each of which operate under a written committee mandate approved by the Board. The Board has adopted several governance policies as described elsewhere in this section. The Board meets regularly on a quarterly basis and holds additional meetings as required to deal with the Company's business. Independent directors also meet regularly on a quarterly basis, without the presence of related directors and management.



## **Board Assessments**

The Board conducts self-assessments as deemed necessary by the Governance, Compensation and Nominating Committee or the Board as a whole. The last self-assessment review was conducted in December 2008 and entailed an all-encompassing, confidential questionnaire regarding such matters as board effectiveness, composition, and its relationship with management. In response to the results of this review, the Board of Directors made appropriate changes to improve Board effectiveness.

Due to its small size and relative lack of complexity, since 2008, the Board has informally considered the effectiveness of the Board through informal and ad-hoc conversations regarding the matter.

## **Position Descriptions**

The Board of Directors has adopted written charters for the two Board Committees, which may be viewed on the Company's website, [www.polarmin.com](http://www.polarmin.com). Brief summaries of the role of the Board Committees are provided below.

The Board has adopted written position descriptions for the Chair of the Board and the CEO, which may be viewed on the Company's website, [www.polarmin.com](http://www.polarmin.com).

## **Director Orientation and Continuing Education**

The Board has an informal process for the orientation of new Board members regarding the role of the Board, its committees and directors, and the nature of operation of the Company. A new director will meet with executive management, the Chair of the Board, the Chair of the Governance, Compensation and Nominating Committee, and possibly incumbent directors, prior to being invited to join the Board, as well as after being accepted to the Board. Such meetings facilitate the exchange of information, ideas and questions amongst all participants. Prior to joining the Board, incoming directors will be invited to tour the Company's operations. New directors are provided with written materials both to aid in their familiarization with the Company and to inform them of their obligations as a director. Such information includes governance policies such as the Company's code of business conduct and ethics, whistleblower policy, disclosure policy, committee charters, and also includes corporate information such as financial statements.

At each Board meeting and Audit Committee meeting, executive management routinely provides directors with a verbal update on matters relevant to the Company such as operational issues, market conditions, sales trends, industry issues, competitive conditions, financial position, and strategic considerations. Directors receive occasional email communications from the Company's corporate secretary regarding regulatory changes that affect their role as a director of the Company.

No formal continuing education opportunities are provided by the Company based on the fact that all of the Company's directors are seasoned business professionals and/or members of multiple corporate boards and, therefore, the Company currently relies on the opportunities available to its directors via other avenues.

## **Ethical Business Conduct**

The Company has a code of conduct and business ethics (the "Code of Conduct") which sets out guidelines and expectations regarding conduct on the part of directors, officers and employees of the Company. All directors of the Company are required to acknowledge, via an annual electronic survey conducted by the Company's third party internal controls consultant, that they are familiar with and understand the Code of Conduct and that they are in compliance with it. The Code of Conduct is available on the Company's website at [www.polarmin.com](http://www.polarmin.com) as well as on [www.sedar.com](http://www.sedar.com).



The Board has also adopted a whistleblower policy (the “Whistleblower Policy”) which provides an avenue for directors, officers and employees of the Company to express concerns regarding the Company’s accounting policies or financial reports without adverse employment consequence. All directors of the Company are required to acknowledge via an annual electronic survey conducted by the Company’s third party internal controls consultant, that they are familiar with and understand the Whistleblower Policy. The Whistleblower Policy is available on the Company’s website at [www.polarmin.com](http://www.polarmin.com).

The Company has a Corporate Disclosure Policy, available on the Company’s website at [www.polarmin.com](http://www.polarmin.com), which provides additional measures to ensure ethical business conduct, such as policies and requirements regarding insider trading and trading black-out periods. The Company’s corporate secretary routinely advises Company directors, officers, and certain employees, as appropriate, when trading black-out periods are under effect.

The Board requires that Directors provide disclosure to it of all boards and committees of which they are members and all offices held in other reporting issuers. The Board also requires conflicts of interest to be disclosed to the Governance, Compensation and Nominating Committee. In the event that conflicts of interest arise, a director who has such a conflict is required to disclose the conflict and to abstain from voting for or against any decision related to that matter. In addition, in considering transactions and agreements in respect of which a director has a material interest, the Board will require that the interested person absent themselves from portions of Board or committee meetings so as to allow independent discussion of points in issue and the exercise of independent judgment.

### **Nomination of Directors**

The Board does not have a formal policy for the recruitment of new candidates to the Board. Typically, the CEO and the Chair of the Governance, Compensation and Nominating Committee collaborate in the candidate selection process. When considering potential candidates for the Board, they take into consideration the areas of expertise in which the Board would realize added benefit through diversity of professional experience and knowledge; the appropriate size of the board; and the ratio of independent to non-independent directors. The Company has no obligation or contract with any third party providing it with the right to nominate a director.

### **Board Committees**

The Company has two Board Committees: the Audit Committee and the Governance, Compensation and Nominating Committee.

#### ***Audit Committee***

The Audit Committee assists the Board of Directors in fulfilling its responsibilities for oversight of financial and accounting matters. In addition to recommending the auditors to be nominated and reviewing the compensation of the auditors, the Audit Committee is responsible for overseeing the work of the auditors and pre-approving non-audit services. It also reviews the Company’s annual and interim financial statements and news releases containing information taken from the Company’s financial statements prior to their release. The Audit Committee is responsible for reviewing the acceptability and quality of the Company’s financial reporting and accounting standards and principles and any proposed material changes to them or their application.

The current members of the Audit Committee are: Lenard F. Boggio (Chair), Terrence A. Lyons and Eugene P. Martineau, all independent directors.

The Audit Committee has a published mandate which is attached to the Company’s Annual Information Form (the “AIF”), filed with Canadian securities regulators and posted under the Company’s profile at [www.sedar.com](http://www.sedar.com), and is posted on the Company’s website, [www.polarmin.com](http://www.polarmin.com). For additional information on the Audit Committee, please see the section of the AIF titled “*Audit Committee*”.



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

The Governance, Compensation and Nominating Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the governance of the Company, its relationship with senior management, and compensation. The Committee's role includes developing and monitoring the effectiveness of the Company's system of corporate governance, assessing the effectiveness of individual directors, the Board of Directors and various board committees, and is responsible for appropriate corporate governance and proper delineation of the roles, duties and responsibilities of management, the Board of Directors and its committees. The Governance, Compensation and Nominating Committee's role includes maintaining a remuneration and benefits plan for directors, executives and other key employees, and reviewing the appropriateness of that plan in order to support the Company's business objectives and attract and retain key executives. The Committee adjusts the plan in response to that review. The Committee also reviews and makes recommendations to the Company's Board of Directors regarding the Company's Option Plan and grants thereunder. The current members of the Governance, Compensation and Nominating Committee are Marco A. Romero (Chair), Eugene P. Martineau and Lenard F. Boggio, all independent directors.

The Governance, Compensation and Nominating Committee has a published mandate which is posted on the Company's website, [www.polarmin.com](http://www.polarmin.com).

## **7. INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No director or executive officer of the Company at any time since the beginning of the Company's most recently completed financial year, no proposed nominee for election as a director of the Company and no associate or affiliate of any such persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as set forth in this Management Information Circular and except for any interest arising from the ownership of shares of the Company where the shareholder will receive no extra or special benefit or advantage not shared on a pro-rata basis by all holders of shares in the capital of the Company.

## **8. INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

No informed person or proposed director and no associate or affiliate of the foregoing has had a material interest, direct or indirect, in any transaction involving the Company since the commencement of the Company's most recently completed financial year, or will have any material interest in any proposed transaction, which has materially affected or will materially affect the Company.

## **9. MANAGEMENT CONTRACTS**

Except as described in this Management Proxy Circular, management functions of the Company are not, to any substantial degree, performed by a person or persons other than the directors or executive officers of the Company.

## **10. SHAREHOLDER PROPOSALS**

Pursuant to Section 187 of the *BC Business Corporations Act*, any notice of a Shareholder proposal intended to be raised at the annual general meeting of Shareholders of the Company to be held during 2015 must be submitted to the Company at its registered office, on or before March 4, 2015, to be considered for inclusion in the management information circular for that annual general meeting of Shareholders.



## **11. ADDITIONAL INFORMATION**

Additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com) under the name "Polaris Minerals Corporation". Financial information for the year ended 2013 is provided in the Company's comparative financial statements and Management's Discussion and Analysis ("MD&A") which are contained in the 2013 Annual Report included with this Management Information Circular. Copies of the Company's financial statements and MD&A may be obtained by contacting the Secretary of the Company in writing at Suite 2740, PO Box 11175, 1055 West Georgia Street, Vancouver, British Columbia V6E 3R5 or by email at [info@polarmin.com](mailto:info@polarmin.com). Copies of such documents will be provided to shareholders free of charge.



## **SCHEDULE A**

### **POLARIS MINERALS CORPORATION**

#### **BOARD MANDATE AND TERMS OF REFERENCE**

As approved by the Board of Directors on December 6, 2007; Amended on November 3, 2008 and June 3, 2010.

The Board of Directors (the "Board") of Polaris Minerals Corporation (the "Company") is responsible for the management of the business of the Company consistent with the powers and obligations under the *Business Corporations Act* (British Columbia) and other statutory and legal requirements generally applicable to directors of a business corporation that is a reporting issuer for securities purposes in Canada and is listed on the Toronto Stock Exchange.

Under the *Act*, the directors of the Company (the "Directors") are required to act honestly and in good faith with a view to the best interests of the Company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board believes that it has the primary responsibility of maximizing shareholder value and to oversee the management of the Company which is carried out by the Chief Executive Officer ("CEO") of the Company.

The Board carries out its responsibilities directly, and through its committees.

The Board has the following stewardship responsibilities:

#### **1. Governance**

The Board establishes and oversees all corporate governance policies, and reviews and monitors the corporate governance practices and disclosures for the Company.

The Board has approved a corporate disclosure policy and a code of business conduct and ethics to which all Directors, officers and employees of the Company are bound.

The Board believes that it is the function of executive management, led by the CEO, to speak for the Company in its communications with shareholders, the investment community, regulatory authorities, the media and any other interested parties. It is understood that the Chairperson of the Board (the "Chair") or other individual Directors may, from time to time, be requested by management to assist with such communications.

The Board approves the content of the Company's major communications to shareholders and the public.

#### **2. Strategic Planning and Development**

The Board approves and monitors the implementation of the Company's strategic plans and long term goals and objectives, as prepared and presented by the Company's CEO with support from executive management. Such plans include the identification and assessment of risks, with provisions to manage and mitigate those risks, as well as strategies for each entity in which the Company has a significant ownership interest. These plans also include specific steps and performance indicators which enable the Board to evaluate progress on implementing such strategies.





The Board approves and monitors annual capital and operating plans and budgets to implement the Company's business strategies, together with key financial and other performance goals for the Company's activities, as prepared and presented by the CEO with support from executive management.

The Board reviews corporate performance and progress towards these plans on a quarterly basis and performs an in-depth review of these strategic plans on at least an annual basis. Any revisions to the plans are approved by the Board.

The Board expects executive management to keep the Board informed of all significant developments regarding these strategic plans in a timely and candid manner.

### **3. Financial Planning and Capital Structure Oversight**

The Board advises management on appropriate financing strategies in accordance with the Company's strategic plan. The Board ensures that financing of capital projects and working capital requirements recognizes a capital structure with a sufficient mix of debt and equity to reflect an appropriate level of risk, while managing the cost of capital, in order to maximize shareholder value. The Board will consider both internal and external factors, including economic and market conditions, in carrying out its role.

### **4. Monitoring and Internal Controls**

The audit committee ensures that the financial performance of the Company is reported according to statutory and legal requirements and that financial results are reported fairly and in accordance with generally accepted accounting standards. The audit committee also reviews the financial performance and reporting of the Company and assesses the integrity of the Company's financial reporting, internal controls and management information systems.

The Board and the audit committee review and monitor the Company's financial risks and risk management policies, and the financial structure of the Company, the audit committee making recommendations to the Board as appropriate.

### **5. Executive Management Oversight and Succession Planning**

The Board regularly considers the integrity, quality and continuity of management required to achieve the Company's goals. The Board has adopted a position description for the CEO which sets out the duties and responsibilities for that position. This position description will be reviewed from time to time.

The Board, under the guidance of the compensation committee, approves the appointment, termination and remuneration of executive management and corporate officers, and is responsible for developing and maintaining an executive management succession plan, including an emergency CEO succession plan.

On an annual basis, the compensation committee measures executive management performance, development and total compensation against the objectives set and makes recommendations to the Board in that regard.

All Directors have open access to the Company's executive management.



## **BOARD PRACTICES AND TERMS OF REFERENCE**

### **a. Board Committees**

The Board establishes and dissolves committees at its discretion in accordance with the ongoing needs of the Company. However, at all times there will be an audit committee and a compensation committee, as well as committee(s) specifically responsible for corporate governance and the nomination of Board members.

The audit committee and the compensation committee, whether responsible solely for compensation oversight or combined with other responsibilities, must be comprised of three or more Directors, all being unrelated and independent as defined by applicable securities and stock exchange rules and, in particular, as defined by *National Instrument 52-110 - Audit Committees*.

Each committee operates under a written mandate, approved by the Board, which sets out its authority, composition, duties and responsibilities. The responsibilities of the Board may be delegated from time to time to committees of the Board on such terms as the Board may consider appropriate and subject to the provision of statutory and legal requirements. The Chair of the Board is an ex-officio member of all Board committees and shall receive proper notice of and documentation for meetings of such committees.

### **b. Board Composition and Effectiveness**

A majority of Directors on the Board must be unrelated and independent as defined by applicable securities and stock exchange rules and, in particular as defined by *National Instrument 52-110 - Audit Committees*. The Board assesses the independence of each Director on an annual basis. Directors have an ongoing obligation to inform the governance committee of any material changes in their circumstances or relationships which may affect the Board's determination as to their independence.

The Board has adopted a position description for the Chair of the Board which sets out the duties and responsibilities for that position. This position description will be reviewed from time to time. The Chair shall be an unrelated, independent Director of the Company.

Under the guidance of the nominating committee, the Board establishes the competencies and skills the Board considers to be necessary for the Board as a whole, each existing Director, and new nominees to the Board. The Board considers the appropriate size of the Board, under the guidance of the nominating committee, on an annual basis, with a view to facilitating effective decision making.

The Board is responsible for the establishment and oversight of the performance of its committees and the appointment of members to serve on such committees. The nominating committee, in conjunction with the Chair of the Board, will recommend Board members for appointment to the committees of the Board.

The Board reviews the effectiveness of the Board, its committees, and each Director's role on and contribution to the Board. The Board as a whole, as well as committees and individual Directors, is assessed by the Board on an annual basis, under the direction and guidance of the nominating committee. The type of assessment to be conducted will be determined by the nominating committee, however, it may include the completion by each Director of a comprehensive questionnaire and/or one-on-one sessions between each Director and the Chairs of the Board and the nominating committee. In order to ensure the Board is and remains effective, each Director will cooperate fully in such assessments.



**c. Director Orientation and Education**

The nominating committee identifies candidates for Board membership, and makes recommendations to the Board for nomination as directors to the Board, based on their character, integrity, judgment and record of achievement and any other qualifications which would add to the Board's decision making process and enhance the overall management of the Company's business.

The Board has an informal process for the orientation of new Board members regarding the role of the Board, its committees and Directors, and the nature of operation of the Company. New Directors meet with executive management and incumbent Directors and are provided with written materials to aid in their familiarization with the Company.

Directors are made aware of their responsibility to keep themselves up to date with best director and corporate governance practices and are encouraged and funded to attend seminars that will increase their own and the Board's effectiveness.

**d. Conflict of Interest**

A perceived conflict of interest may arise if a Director, or a member of his/her immediate family or household, has a material interest or relationship with a supplier or competitor of the Company, or if a Director engages in any business, personal or other activity, directly or indirectly, which may be construed as being in conflict with Company's interests, or which may, or may appear to, compromise the Director's ability to act impartially on behalf of the Company.

In addition to adhering to the Company's *Code of Business Conduct and Ethics*, individual Directors must continually monitor their activities and interests; when an actual, potential, or potentially perceived conflict of interest arises, must immediately advise the Company's governance committee or, in the event the Director is a member of the governance committee, the Board as a whole. The disinterested members of the committee or the Board, as applicable, shall make a determination as to whether a conflict exists and what subsequent action, if any, is appropriate. The governance committee shall immediately inform the Board of such determination and action. The Board shall retain the right to modify or reverse such determination and action.

Each Director shall ensure that all filed regulatory documents contain full disclosure regarding all his/her director and officer positions held.

**e. Meetings**

The Board meets on at least a quarterly basis and holds additional meetings as required or appropriate to deal with ongoing corporate matters or long term strategic planning. Any Director may request that a meeting of the Board take place, such requests being made to the Chair who shall make the determination as to whether or not the requested meeting is to be held.

The Chair and CEO, in consultation, will set the agenda for each board meeting, with the assistance of or by delegation to the Corporate Secretary. Any Director may request additional items for inclusion on the agenda for a scheduled quarterly Board meeting.

The Board prefers that all Directors attend all scheduled quarterly meetings in person wherever feasible. If unable to attend in person, a Director may attend a meeting via telephone or other agreed electronic means. Attendance at meetings will be recorded in the minutes of the meetings.



If the Chair is not present at any meeting of the Board, the Chair will pre-appoint a Chair for that meeting or, failing that, the Chair of the meeting shall be chosen by the Board from among the Directors present. The Chair presiding at any meeting of the Board shall not have a casting vote in case of deadlock.

The Board is to receive regular quarterly reports on the financial results and significant business activities of the Company, as well as appropriate documentation regarding matters for Board approval, in a timely manner in advance of Board meetings in order to ensure effectiveness of action at such meetings.

The Board may also take action from time to time by unanimous written consent resolutions.

The independent Directors hold meetings, without the presence of management and non-independent Directors, at least quarterly and more often as may be determined by the Chairs of the Board and the governance committee. Any Director may request that a meeting of the independent Directors take place.

The Board, and its committees, has the authority to retain legal, accounting and other consultants to advise it. The Board may request any officer or employee of the Company, or its outside counsel or auditors, to attend any meeting of the Board or to meet with any members of, or consultants to, the Board.