NORTH AMERICAN PALLADIUM LTD
Form F-7
July 06, 2015
Table of Contents

As filed with the Securities and Exchange Commission on July 6, 2015

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-7

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

North American Palladium Ltd.

(Exact name of Registrant as specified in its charter)

Canada	**1000**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

Suite 2350, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario, Canada M5J 2J2, (416) 360-7590

(Address and telephone number of Registrant s principal executive offices)

CT Corporation System, 111 Eighth Avenue, New York, New York 10011, (212) 894-8940

(Name, address and telephone number of agent for service in the United States)

Copies to:

Riccardo Leofanti, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
222 Bay Street, Suite 1750, P.O. Box 258
Toronto, Ontario, Canada M5K 1J5
(416) 777-4700

Simon Romano, Esq.
Stikeman Elliott LLP
5300 Commerce Court West, 199 Bay Street
Toronto, Ontario, Canada M5L 1B9
416-869-5500

Approximate date of commencement of proposed sale of the securities to the public:

As soon as practicable after this registration statement becomes effective.

This registration statement and any amendment thereto shall become effective upon filing with the Commission in accordance with Rule 467(a).

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to the home jurisdiction s shelf prospectus offering procedures, check the following box: ¨

CALCULATION OF REGISTRATION FEE (1)

Title of Each Class of Securities to be Registered	Amount to be Registered(2)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common shares	US$40,085,000	100%	US$40,085,000	US$4,657.88

(1) Calculation of Registration Fee is in accordance with General Instruction II.F of Form F-7.
(2) Based on the noon buying rate for Canadian dollars published by the Bank of Canada on June 30, 2015 of Cdn$1.00 = US$0.8017.

If, as a result of stock splits, stock dividends or similar transactions, the number of securities purported to be registered on this registration statement changes, the provisions of Rule 416 shall apply to this registration statement.

Table of Contents

PART I

INFORMATION REQUIRED TO BE SENT TO SHAREHOLDERS

Table of Contents

NOTICE OF MEETING OF HOLDERS OF

6.15% Convertible Debentures due September 30, 2017,

7.5% Convertible Debentures due January 31, 2019 and

7.5% Convertible Debentures due April 11, 2019

and

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

of

NORTH AMERICAN PALLADIUM LTD.

each to be held on July 30, 2015

MANAGEMENT PROXY CIRCULAR

with respect to a proposed

PLAN OF ARRANGEMENT (INCLUDING A RIGHTS OFFERING)

June 30, 2015

These materials are important and require your immediate attention. They require you to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal or other professional advisors. No securities regulatory authority has in any way passed upon the merits of the transactions described in this management proxy circular or the accuracy or adequacy of this management proxy circular. Any representation to the contrary is a criminal offense. If you have any questions or require assistance voting your proxy, please contact D.F. King toll-free at 1-800-845-1507.

(continued)

Table of Contents

The Rights Offering described in this management proxy circular is made by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States and Canada, to prepare this management proxy circular in accordance with the disclosure requirements of Canada. Prospective purchasers of securities should be aware that such requirements are different from those of the United States. Financial statements and information included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial statements of U.S. companies.

Prospective purchasers of securities in the Rights Offering should be aware that the acquisition or disposition of such securities may have tax consequences in Canada, the United States or elsewhere. Such consequences for purchasers who are resident in, or citizens of, the United States may not be described fully herein. Prospective purchasers should consult their own tax advisors with respect to such tax considerations.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Corporation is organized outside the United States, that some of its officers and directors may be residents of a country other than the United States, that some or all of the experts named in the Registration Statement (as defined below) may be residents of a country other than the United States, and that all or a substantial portion of the assets of the Corporation and said persons may be located outside the United States.

These securities have not been recommended by, or approved or disapproved by the SEC or the securities regulatory authorities in any state of the United States nor has the SEC or the securities regulatory authorities in any state of the United States passed upon the accuracy or adequacy of this management proxy circular. Any representation to the contrary is a criminal offence.

Table of Contents

HOW TO CAST YOUR VOTE IN SUPPORT OF THE ARRANGEMENT

Time is running short. The Board believes that in light of the challenges posed by the Corporation s existing capital structure, the Arrangement is the best alternative available to the Corporation and its securityholders. **Failure to complete the Arrangement would likely negatively impact NAP s share price, future business and operations.**

We recommend that you vote your proxy as soon as possible, and in any event, no later than 10:00 a.m. (Eastern Time) on July 28, 2015.

VOTING METHOD	BENEFICIAL (NON-REGISTERED) SECURITYHOLDERS **If your Common Shares are held with a broker, bank or other intermediary**	REGISTERED SECURITYHOLDERS **If your Common Shares are held in your name and represented by a physical certificate**
INTERNET	Visit www.proxyvote.com and enter your 16 digit control number located on the enclosed voting instruction form.	Please go to www.investorvote.com. You will need the Control Number located on your Form of Proxy to login and vote
TELEPHONE	**Canada:** Call 1-800-474-7493 **US:** Call 1-800-454-8683 and provide your 16 digit control number located on the enclosed voting instruction form	**Canada & US:** Call 1-866-732-VOTE (8683) **International:** Call 312-588-4290 and provide your 15 digit control number located on the enclosed voting instruction form
FACSIMILE	**Canada:** Fax your voting instruction form toll free to **905-507-7793** or toll free to **1-866-623-5305** in order to ensure that your vote is received before the deadline. **US: N/A**	N/A
MAIL	N/A	Please complete, sign and date the enclosed Form of Proxy and return it to Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, ON M5J 2Y1 Attn: Proxy Department, in the envelope provided

If you have any questions or require any assistance in executing your proxy,

please call D.F. King Canada at:

North American Toll Free Number: 1-866-822-1238

Outside North America, Banks, Brokers and Collect Calls: 1-201-806-7301

Email: inquiries@dfking.com

North American Toll Free Facsimile: 1-888-509-5907

Facsimile: 1-647-351-3176

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

LETTER TO SECURITYHOLDERS

June 30, 2015

To the holders of: 6.15% convertible debentures due September 30, 2017 (the **2012 Debentures**), 7.5% convertible debentures due January 31, 2019 (the **Series 1 Debentures**), 7.5% convertible debentures due April 11, 2019 (the **Series 2 Debentures** and together with the 2012 Debentures and the Series 1 Debentures, the **Debentures**) and common shares (the **Common Shares**) in the capital of North American Palladium Ltd.

The Board of Directors (the **Board**) of North American Palladium Ltd. (**NAP** or the **Corporation**) invites you to attend a meeting of holders (the **Debentureholders**) of the Debentures (the **Debentureholders Meeting**) and an annual and special meeting of holders (the **Shareholders**) of the Common Shares (the **Shareholders Meeting**), scheduled to be held at Stikeman Elliott LLP, 53rd Floor, Commerce Court West, Suite 5300, 199 Bay Street, Toronto, Ontario on July 30, 2015 at 10:00 a.m. (Toronto time), in the case of the Debentureholders Meeting, and 10:30 a.m. (Toronto time), in the case of the Shareholders Meeting, respectively (unless adjourned or postponed).

Over the past several years, the Corporation has faced a number of challenges, including operating in an environment of constrained availability of capital. In March 2015, the Corporation became aware of potential violations of certain financial and other covenants under its secured credit agreements and entered into discussions with BCP III NAP L.P. (**Brookfield**) regarding a proposed recapitalization transaction aimed at significantly reducing the Corporation s debt and enhancing the Corporation s liquidity (the **Recapitalization**). The proposed Recapitalization has evolved from those discussions. The Recapitalization will be effected by way of a court approved plan of arrangement (the **Arrangement**) under Section 192 of the *Canada Business Corporations Act.*

At the Debentureholders Meeting and the Shareholders Meeting, Debentureholders and Shareholders will each be asked to consider and vote upon a resolution (together, the **Arrangement Resolution**s) approving the Arrangement pursuant to which:

the Corporation shall pay all accrued and unpaid interest under the senior secured loan pursuant to the loan agreement among the Corporation, Lac des Iles Mines Ltd. and Brookfield dated June 7, 2013, as amended on November 23, 2013, October 30, 2014 and April 15, 2015 in cash to Brookfield;

the Brookfield Existing Loan shall be, and shall be deemed to be, irrevocably, finally and fully settled and extinguished by the issuance by the Corporation to Brookfield of 18,214,401,868 Common Shares (representing 92% of the outstanding Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering (as defined below));

Debentureholders will receive a cash payment in respect of all accrued and unpaid interest on the Debentures up to (but not including) the effective date of the Arrangement (the **Effective Date**);

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Table of Contents

the Debentures (representing in aggregate $43,251,000) shall be, and shall be deemed to be, irrevocably, finally and fully settled and extinguished by the issuance by the Corporation to the Debentureholders of 1,187,895,774 Common Shares, with each Debentureholder being entitled to receive its *pro rata* share of such Common Shares in full and final settlement of and in exchange for the Debentures (representing 6% of the outstanding Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering);

restricted share units (**RSUs**) issued pursuant to the Corporation s restricted share unit plan (the **RSU Plan**) issued and outstanding at the effective time of the Arrangement (the **Effective Time**), whether or not vested, will be transferred to the Corporation without any action on behalf of the respective holders thereof, free and clear of all liens, charges, encumbrances and any other rights of others, and in exchange therefor, the Corporation shall issue to the holder such number of Common Shares as were subject to the RSUs immediately prior to the Effective Time and the RSU Plan will be terminated and the Corporation will have no liabilities or obligations with respect to the RSU Plan;

the Common Shares then issued and outstanding will be consolidated on the basis of one (1) common share in the capital of the Corporation (**New Common Shares**) for every 400 existing Common Shares (the **Share Consolidation**);

all outstanding options of the Corporation issued pursuant to the Corporation s stock option plan will be cancelled for no consideration and the Corporation s stock option plan will be terminated and the Corporation will not have any liabilities or obligations outstanding with respect to such plan;

the warrants entitling the holders thereof to purchase one (1) Common Share until March 28, 2017, and the warrants entitling the holders thereof to purchase one (1) Common Share until April 11, 2016, will each be cancelled for no consideration;

NAP Newco Inc. (**Newco**), a subsidiary of the Corporation created for the sole purpose of effecting the Arrangement, shall assign, transfer and convey all of its right, title and interest of Newco in and to all of its undertaking, property and assets to its sole shareholder and its sole shareholder shall assume all debts, obligations and liabilities of Newco and Newco shall then be dissolved;

on the rights issuance date, each holder of New Common Shares will receive, for each New Common Share held, one (1) right to subscribe for 0.1693 New Common Shares (the **Rights**) at a subscription price of $5.97 per New Common Share (the **Rights Offering**);

on the expiry date of the Rights, the Corporation shall issue New Common Shares to each holder of Rights upon the due exercise of the Rights and receipt of payment therefor; and

Brookfield and a Debentureholder representing approximately 54% of the aggregate principal amount of Debentures (the **Consenting Debentureholder**), which have agreed, subject to certain terms and conditions, to backstop the Rights Offering, will subscribe for and take up all of the New Common Shares that were not otherwise subscribed for and taken up in the Rights Offering prior to the expiry time of the Rights (the **Backstopped Shares**).

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Table of Contents

No fractional shares will be issued in connection with the Arrangement. With respect to fractional shares that would otherwise be issuable to a securityholder, the entitlement of such securityholder will be reduced to the next lowest whole number of Common Shares or New Common Shares, as applicable.

The Plan of Arrangement is attached as Appendix C to the accompanying management proxy circular (the **Circular**), which describes the Arrangement in more detail.

Following completion of the Arrangement but prior to the completion of the Rights Offering, existing Shareholders will own 2% of the outstanding Common Shares. The gross proceeds of the Rights Offering will be approximately $50 million. Brookfield and the Consenting Debentureholder have agreed to fully backstop the Rights Offering. The full text of the Arrangement Resolutions is set out in Appendix A and Appendix B, as applicable, to the Circular.

The Board believes that in light of the challenges posed by the Corporation s existing capital structure, the Arrangement is the best alternative available to the Corporation and its securityholders. The Board believes that the proposed Arrangement will benefit the Corporation by deleveraging the Corporation s balance sheet and improving its financial strength by retiring approximately $345.1 million of debt, decreasing its annual cash interest expense by approximately $36.0 million and mitigating the Corporation s near term liquidity concerns and the Corporation s limited access to capital. The Board has received opinions (the **CIBC Opinions**) dated as of June 18, 2015 from CIBC World Markets, financial advisor to the Corporation, which conclude that, as of the date thereof, and subject to the qualifications set out therein: (i) the Debentureholders and the Shareholders would each be in a better financial position, respectively, under the Arrangement than if the Corporation were liquidated, as in each case the estimated aggregate value of the consideration available to the Debentureholders and the Shareholders, respectively, pursuant to the Arrangement would exceed the estimated value that such Debentureholders and Shareholders would receive in a liquidation, respectively; and (ii) the Arrangement, if implemented, is fair, from a financial point of view, to the Corporation. NAP s securityholders are encouraged to read the CIBC Opinions in their entirety, which are appended as Appendix D to the accompanying Circular. After careful consideration of these and other factors, and following consultation with its financial advisor and outside legal counsel, the Board has unanimously determined to recommend to Debentureholders and Shareholders that they **VOTE FOR** the Arrangement Resolutions at the Debentureholders Meeting and the Shareholders Meeting, respectively.

In order for the Arrangement to be implemented, the Arrangement Resolution must be approved by the affirmative vote of at least 66 ⅔% of the votes cast by Debentureholders present in person or by proxy at the Debentureholders Meeting and entitled to vote on the Arrangement Resolution and by the affirmative vote of at least 66 ⅔% of the votes cast by Shareholders present in person or by proxy at the Shareholders Meeting and entitled to vote on the Arrangement Resolution. Each Debentureholder will have one (1) vote for each $1,000 of principal amount of Debentures held by such Debentureholder as of June 30, 2015, which is the record date for the Debentureholders Meeting, and each Shareholder will have one (1) vote for each Common Share held by such Shareholder as of June 30, 2015, which is the record date for the Shareholders Meeting.

The Consenting Debentureholder has entered into a support agreement pursuant to which it has agreed, subject to the terms and conditions thereof, to vote all of its Debentures in favour of the Arrangement Resolution at the Debentureholders Meeting.

In addition to Debentureholder and Shareholder approval, completion of the Arrangement is also subject to a number of conditions, including approval of the Ontario Superior Court of Justice, all of

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Table of Contents

which is described in more detail in the Circular. Provided all conditions precedent can be satisfied, the Corporation anticipates that completion of the Arrangement will occur on or about August 6, 2015.

In the event that the Arrangement is not implemented, the Corporation has agreed to pursue proceedings under creditor protection legislation which the Corporation believes would likely have a more negative effect on the Corporation and its stakeholders generally.

The Board believes that it is extremely important that the Arrangement be approved and implemented. We urge you to give serious attention to the Arrangement and to support it in person or by proxy at the appropriate meeting scheduled to be held on July 30, 2015. The current proposal is integral to our objective of normalizing NAP s capital structure, enhancing liquidity, and positioning NAP for future growth and profitability, an objective to which management of NAP and the Board of Directors are committed. We hope that we will receive your support.

The Corporation has received approval from the Toronto Stock Exchange to delay its annual meeting of shareholders past June 30, 2015. The meeting will be held on July 30, 2015 in order to allow shareholders to consider the Arrangement.

Yours very truly,

(signed) *Phil du Toit*

Phil du Toit

President and Chief Executive Officer

North American Palladium Ltd.

This material is important and requires your immediate attention. The transactions contemplated in the Arrangement are complex. The accompanying Circular contains a description of, and a copy of, the Plan of Arrangement and other information concerning NAP to assist you in considering this matter. You are urged to review this information carefully. Should you have any questions or require assistance in understanding and evaluating how you will be affected by the proposed Arrangement, please consult your legal, tax or other professional advisors.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

NOTICE OF MEETING OF DEBENTUREHOLDERS

June 30, 2015

To the holders of: 6.15% convertible debentures due September 30, 2017 (the **2012 Debentures**), 7.5% convertible debentures due January 31, 2019 (the **Series 1 Debentures**), 7.5% convertible debentures due April 11, 2019 (the **Series 2 Debentures** and together with the 2012 Debentures and the Series 1 Debentures, the **Debentures**) of North American Palladium Ltd. (the **Corporation** or **NAP**):

NOTICE IS HEREBY GIVEN that, pursuant to an order (the **Interim Order**) of the Ontario Superior Court of Justice (the **Court**) dated June 30, 2015, a meeting (the **Debentureholders Meeting**) of the registered holders of the Debentures (the **Debentureholders**) scheduled to be held at Stikeman Elliott LLP, 53rd Floor, Commerce Court West, Suite 5300, 199 Bay Street, Toronto, Ontario, at 10:00 a.m. (Toronto time) on July 30, 2015 (unless adjourned or postponed) for the following purposes:

(a) to consider and, if deemed advisable, to pass, a resolution (the **Debentureholders Arrangement Resolution**), the full text of which is set out in Appendix A to the accompanying management proxy circular (the **Circular**), approving an arrangement (the **Arrangement**) pursuant to Section 192 of the *Canada Business Corporations Act* (the **CBCA**), which Arrangement is more particularly described in the Circular; and

(b) to transact such other business as may properly come before the Debentureholders Meeting or any postponement or adjournment thereof.

The record date (the **Debentureholder Record Date**) for entitlement to vote at the Debentureholders Meeting has been set by the Court as June 30, 2015. At the Debentureholders Meeting, each holder of Debentures as of the Debentureholder Record Date will be entitled to one (1) vote for each $1,000 of principal amount of the Debentures held as of the Debentureholder Record Date.

The Court has set the quorum for the Debentureholders Meeting as the presence, in person or by proxy, of one (1) or more persons representing at least 50% in principal amount of the outstanding Debentures.

Proxies are being solicited by management of the Corporation. A form of proxy for the Debentureholders Meeting accompanies this notice (**Debentureholder Proxy**). Debentureholders who are entitled to vote at the Debentureholders Meeting may vote either in person or by Debentureholder Proxy. Debentureholders who are unable to be present in person at the Debentureholders Meeting are requested to complete, execute and deliver the enclosed Debentureholder Proxy to the Corporation s registrar and transfer agent, Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 by no later than 10:00 a.m. (Toronto time) on July 28, 2015, or if the Debentureholders Meeting is adjourned or postponed, by no later than 48 hours prior to the time of such reconvened meeting (excluding Saturdays, Sundays and holidays). The Chairman of the Debentureholders Meeting may waive or extend the time limit for the deposit of proxies without notice. Beneficial owners of Debentures registered in the name of a broker, custodian, nominee or other intermediary should follow the instructions provided by their broker, custodian, nominee or other intermediary in order to vote their Debentures.

The vote required to pass the Debentureholders Arrangement Resolution is the affirmative vote of at least 66⅔% of the votes cast by Debentureholders present in person or by proxy at the

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Table of Contents

Debentureholders Meeting and entitled to vote on the Debentureholders Arrangement Resolution. The implementation of the Arrangement is subject to, among other things, the approval of the Arrangement by the Corporation s shareholders at a separate meeting and the approval of the Ontario Superior Court of Justice.

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

BY ORDER OF THE BOARD OF DIRECTORS

(signed) *Robert J. Quinn*
Robert J. Quinn

Chairman of the Board

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

June 30, 2015

To the holders of the common shares (the **Common Shares**) in the capital of North American Palladium Ltd.:

NOTICE IS HEREBY GIVEN that an annual and special meeting (the **Shareholders Meeting**) of the holders (the **Shareholders**) of the common shares (the **Common Shares**) of North American Palladium Ltd. (**NAP** or the **Corporation**) scheduled to be held at Stikeman Elliott LLP, 53rd Floor, Commerce Court West, Suite 5300, 199 Bay Street, Toronto, Ontario at 10:30 a.m. (Toronto time) on July 30, 2015 (unless adjourned or postponed) for the following purposes:

(a) to receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2014 and the auditor s report on those statements, and the unaudited condensed interim consolidated financial statements for the three-month period ended March 31, 2015;

(b) to elect directors of the Corporation for the ensuing year;

(c) to consider and, if deemed appropriate, approve the appointment of KPMG LLP, as auditors for the Corporation, and to authorize the directors of the Corporation to set the auditors remuneration;

(d) to consider, and, if deemed advisable, to pass, a special resolution (the **Shareholders Arrangement Resolution**), the full text of which resolution is set out in Appendix B to the management proxy circular (the **Circular**), approving an arrangement (the **Arrangement**) pursuant to Section 192 of the *Canada Business Corporations Act* (the **CBCA**), which Arrangement is more particularly described in the Circular; and

(e) to transact such other business as may properly come before the Shareholders Meeting or any adjournment or postponement thereof.

The record date (the **Shareholder Record Date**) for entitlement to vote at the Shareholders Meeting has been set by the Court as June 30, 2015. At the Shareholders Meeting, each Shareholder as of the Shareholder Record Date will have one (1) vote for each Common Share held.

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

Proxies are being solicited by management of the Corporation. A form of proxy for the Shareholders Meeting accompanies this notice (**Shareholder Proxy**). Shareholders who are entitled to vote at the Shareholders Meeting may vote either in person or by Shareholder Proxy. Shareholders who are unable to be present in person at the Shareholders Meeting are requested to complete, execute and deliver the enclosed Shareholder Proxy to the Corporation s registrar and transfer agent, Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 by no later than 10:30 a.m. (Toronto time) on July 28, 2015, or if the

Shareholders Meeting is adjourned or postponed, by no later than 48 hours prior to the time of such reconvened meeting (excluding Saturdays, Sundays and holidays). The Chairman of the Shareholders Meeting may waive or extend the time limit

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Table of Contents

for the deposit of proxies. Beneficial owners of Common Shares registered in the name of a broker, custodian, nominee or other intermediary should follow the instructions provided by their broker, custodian, nominee or other intermediary in order to vote their Common Shares.

The vote required to pass the Shareholders Arrangement Resolution is the affirmative vote of at least 66⅔% of the votes cast by Shareholders present in person or by proxy at the Shareholders Meeting and entitled to vote on the resolution. The implementation of the Arrangement is subject to, among other things, the approval of the Arrangement by the holders of the Corporation s convertible debentures at a separate meeting and approval of the Ontario Superior Court of Justice.

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

BY ORDER OF THE BOARD OF DIRECTORS

(signed) *Robert J. Quinn*
Robert J. Quinn

Chairman of the Board

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This Circular includes or incorporates by reference certain statements that are forward-looking statements and/or forward-looking information , which include future oriented financial information, within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995 and Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. The words expect , believe , anticipate , contemplate , target , plan , may , will , intend , estimate and similar expressions identify forwar statements, although these words may not be present in all forward-looking statements. Forward-looking statements included in this Circular and the documents incorporated by reference herein and therein include, without limitation, those relating to the proposed Arrangement (including the Rights Offering), timing of the closing of the proposed Arrangement (including the Rights Offering), information as to the Corporation s strategy, plans or future financial or operating performance, such as the Corporation s expansion plans at the LDI Mine (as defined below), project timelines, production plans, projected cash flows or capital expenditures, cost estimates, mining or milling methods, projected exploration results, availability of required financing, resource and reserve estimates and other statements that express management s expectations or estimates of future performance.

Forward-looking statements involve known and unknown risks that may cause actual results to be materially different from those expressed or implied by the forward-looking statements. Such risks include, but are not limited to:

- the completion of the Arrangement may not occur;
- if the Arrangement is not implemented, the ability of the Corporation to continue as a going concern;
- the ability of the Corporation to obtain substantial additional financing necessary to fund both short-term and long-term operations and capital expenditure requirements;
- fluctuations in commodity prices, interest rates and foreign exchange rates;
- deterioration of general economic conditions;
- the Corporation s inability to achieve or maintain production and operating cost estimates;
- risks associated with the expansion of the LDI Mine;
- inherent risks associated with mining and processing, including environmental hazards;
- risks associated with the Corporation s tailings facilities;

inaccuracy of mineral resource and reserve estimates;

the demand for, and cost of, exploration, development and construction services;

the possibility of construction and commissioning delays;

risks related to future exploration programs, including the risk that future exploration will not replace mineral resources and mineral reserves that become depleted;

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Table of Contents

potential uncertainty related to title to the Corporation s mineral properties;

the Corporation s reliance on third parties for smelting and refining the concentrate that is produced at the LDI mill;

the possibility of injuries or death of employees;

employment disruptions, including in connection with collective agreements between the Corporation and unions;

environmental, health and safety and other regulatory requirements;

the ability of the Corporation to satisfy the terms and conditions of the Director s Order and any Amendments;

the costs of complying with environmental legislation and government regulations;

risks related to the Corporation s ongoing relations with First Nations;

the risk that permits and regulatory approvals necessary to conduct operations will not be available on a timely basis, on reasonable terms, or at all;

loss of key personnel;

competition from other current and potential new producers of palladium and platinum group metals;

current or future litigation (including class actions) or regulatory proceedings;

the development of new technology or new alloys that could reduce the demand for palladium;

lack of infrastructure necessary to develop the Corporation s projects;

the ability of the Corporation to maintain adequate internal control over financial reporting and disclosure controls and procedures; and

the consequences of events of default provided in the BNS Credit Agreement (as defined below), the Brookfield Bridge Loan (as defined below), the Debentures and the Brookfield Existing Loan (as defined below), some of which are beyond the Corporation s control.

Forward-looking statements, including future oriented financial information, are necessarily based on a number of factors and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Factors and assumptions contained in this Circular and the documents incorporated by reference herein and therein that may prove to be incorrect, include, but are not limited to, the following:

that the consummation of the Arrangement will occur;

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Table of Contents

that additional financing for the Corporation s capital and development plans will be available, including on reasonable terms;

that the LDI Mine will be and will remain viable operationally and economically;

that expectations for mill feed head grade, recovery rates and mill performance will be as expected at the LDI Mine;

that plans for mine production, mine development projects, mill production and exploration will proceed as expected and on budget;

that the construction of long-term TMF structures will proceed as expected, on budget and that the Corporation will obtain all necessary permits and approvals;

that the Corporation will pursue future development projects;

that market fundamentals will result in reasonable demand and prices for palladium and by-product metals in the future;

that the Corporation will not be subject to any future material environmental incidents, significant regulatory changes or material labour disruptions;

that the information and advice the Corporation has received from its employees, consultants and advisors relating to matters such as mineral resource and mineral reserve estimates, engineering, mine planning, metallurgy, permitting and environmental matters is reliable and correct and, in particular, that the models used to calculate mineral resources and mineral reserves are appropriate and accurate;

that the Corporation and its contractors will be able to attract and retain sufficient qualified employees and will operate safely; and

that financing for the Corporation s expansion and production plans will be available on reasonable terms.

All of the forward-looking statements made in this Circular and the documents incorporated by reference herein and therein are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the projected results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Corporation. You are cautioned not to put undue reliance on forward-looking statements. All forward-looking statements in this Circular and the documents incorporated by reference herein and therein are made as of the date of the document in which such statements appear, and the Corporation disclaims any obligation to update or revise any forward-looking statements, whether as a result

of new information, events or otherwise, except as expressly required by law.

NOTE TO CANADIAN SECURITYHOLDERS

THE SECURITIES ISSUABLE HEREUNDER HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES REGULATORY AUTHORITY OF ANY CANADIAN PROVINCE OR TERRITORY OR PASSED UPON THE MERITS OR FAIRNESS OF THE ARRANGEMENT NOR HAVE ANY OF THEM PASSED UPON THE ACCURACY OR ADEQUACY

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

OF THIS CIRCULAR AND THE INFORMATION CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

NOTE TO U.S. SECURITYHOLDERS

The 3(a)(10) Securities (as defined below) to be issued and distributed pursuant to the Arrangement have not been and will not be registered under the 1933 Act (as defined below), or the securities laws of any state of the United States, and are being issued in reliance on the exemption from registration set forth in Section 3(a)(10) of the 1933 Act on the basis of the approval of the Court (as defined below), which will consider, among other things, the fairness of the terms and condition of the Arrangement to Debentureholders and holders of RSUs, and in reliance on similar exemptions from registration or qualification under any applicable securities laws of the various states of the United States. We intend to file the Registration Statement with the SEC to register the New Common Shares issuable upon exercise of the Rights. See Certain Regulatory Matters United States.

The solicitation of proxies hereby and the transactions contemplated herein are being undertaken by a Canadian issuer in accordance with Canadian corporate and securities laws and are not subject to the proxy requirements of Section 14(a) of the 1934 Act (as defined below), by virtue of an exemption applicable to proxy solicitations by foreign private issuers (as defined in Rule 3b-4 under the 1934 Act). Accordingly, this Circular has been prepared in accordance with applicable disclosure requirements in Canada. Such requirements are different than those of the United States. Likewise, information concerning the operations of the Corporation has been prepared in accordance with Canadian standards, and may not be comparable to U.S. companies.

Financial statements and information included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards, and thus may not be comparable to financial statements of U.S. companies.

You should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. See Income Tax Considerations - Certain United States Federal Income Tax Considerations.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Corporation is organized outside the United States, that some of its officers and directors and the experts named herein are residents of a foreign country, and that all or a substantial portion of the assets of the Corporation and said persons are located outside the United States. As a result, it may be difficult or impossible for U.S. securityholders to effect service of process within the United States upon the Corporation, its officers or directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or blue sky laws of any state within the United States. In addition, U.S. securityholders should not assume that the courts of Canada: (i) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or blue sky laws of any state within the United States; or (ii) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or blue sky laws of any state within the United States.

This Circular and the documents incorporated by reference have been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all reserve and resource estimates included in this Circular or

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Table of Contents

in any documents incorporated by reference herein have been, and will be, prepared in accordance with NI 43-101 (as defined below) and the Canadian Institute of Mining, Metallurgy and Petroleum classification system. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the SEC (as defined below), and reserve and resource information contained in or incorporated by reference into this Circular may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, these documents use the terms measured resources , indicated resources and inferred resources . Readers are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. The requirements of NI 43-101 for the identification of reserves are also not the same as those of the SEC, and reserves reported by the Corporation in compliance with NI 43-101 may not qualify as reserves under SEC standards. Under U.S. standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Readers are cautioned not to assume that any part of a measured resource or indicated resource will ever be converted into a reserve . Readers should also understand that inferred resources have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all, or any part of, inferred resources exist, are economically or legally mineable, or will ever be upgraded to a higher category. Under Canadian rules, estimated inferred resources may not form the basis of feasibility or pre-feasibility studies except in rare cases. In addition, disclosure of contained ounces in a mineral resource is permitted disclosure under Canadian regulations. However, the SEC normally only permits issuers to report mineralization that does not constitute reserves by SEC standards as in place tonnage and grade, without reference to unit measures. Accordingly, information concerning mineral deposits set forth in this Circular or in any documents incorporated by reference herein may not be comparable with information made public by companies that report in accordance with U.S. standards.

U.S. SECURITYHOLDERS SHOULD CONSULT THEIR OWN TAX, LEGAL AND FINANCIAL ADVISORS REGARDING THE PARTICULAR CONSEQUENCES TO THEM OF THE ARRANGEMENT.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Circular from documents filed with the securities commissions or similar authorities in each of the provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Corporation at Suite 2350, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario M5J 2J2, telephone 416-360-7590 and facsimile 416-360-7709, or by accessing the disclosure documents available through the internet on the Canadian Securities Administrators System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the SEC s EDGAR system, which can be accessed at www.sec.gov.

The following documents filed with securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into, and form an integral part of, this Circular:

(a) the annual information form of the Corporation (the **AIF**) for the financial year ended December 31, 2014;

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

(b) the audited consolidated financial statements of the Corporation and the notes thereto for the financial year ended December 31, 2014, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, and the consolidated statements of operations and comprehensive loss, shareholders equity and cash flows for the years ended December 31, 2014 and December 31, 2013, prepared in accordance with IFRS (as defined below) (the **Annual Financial Statements**), together with the independent auditors report thereon;

(c) the Corporation s management s discussion and analysis relating to the Annual Financial Statements;

(d) the unaudited interim condensed consolidated financial statements of the Corporation for the three-month period ended March 31, 2015 prepared in accordance with International Accounting Standard 34 (the **Unaudited Interim Financial Statements**);

(e) the Corporation s management s discussion and analysis for the three-month period ended March 31, 2015;

(f) the Corporation s material change report dated April 15, 2015 regarding the Arrangement; and

(g) the Corporation s material change report dated June 29, 2015 regarding the Arrangement and the entering into of the Recapitalization Agreement.

Any annual information form, annual or interim financial statement and related management s discussion and analysis, material change report (excluding confidential material change reports), business acquisition report, information circular, news releases containing financial information for financial periods more recent than the most recent annual or interim financial statements, or disclosure document filed pursuant to an undertaking to a Canadian securities regulatory authority filed by us with any securities commission or similar regulatory authority in Canada subsequent to the date of this Circular and prior to the Closing Date (as defined below) shall be deemed to be incorporated by reference into this Circular, as well as any document so filed by NAP which expressly states it is to be incorporated by reference into this Circular. In addition, any document filed by the Corporation with, or furnished by the Corporation to, the SEC pursuant to the 1934 Act subsequent to the date of this Circular and prior to the Closing Date shall be deemed to be incorporated by reference into the Registration Statement (in the case of any Report on Form 6-K, if and to the extent expressly provided in such report). These documents will be available on SEDAR, which can be accessed at www.sedar.com, and on EDGAR, which can be accessed on www.sec.gov.

Any statement contained herein, or in any document incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded, for the purposes of this Circular, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Circular, except as so modified or superseded.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

CURRENCY AND FINANCIAL STATEMENT PRESENTATION

Unless otherwise specified or the context otherwise requires, all references to dollar amounts in this Circular or in any documents incorporated by reference herein and therein are references to Canadian dollars. References to $ or Cdn.$ are to Canadian dollars and references to US$ are to U.S. dollars.

Unless otherwise indicated, annual financial statements incorporated herein by reference have been prepared in accordance with IFRS as issued by the International accounting Standards Board and interim financial statements incorporated herein by reference have been prepared in accordance with IFRS using International Accounting Standard No. 34.

The following table sets forth, for the Canadian dollar, expressed in United States dollars: (i) the high and low exchange rates during each period; (ii) the average of the exchange rates on the last day of each month during each period; and (iii) the exchange rate at the end of each period. These rates are based on the noon buying rate published by the Bank of Canada.

	Year Ended December 31,		Six Months Ended June 30,	
	2013	2014	2014	2015
Highest rate during period	1.0164	0.9422	0.9422	0.8527
Lowest rate during period	0.9348	0.8589	0.8888	0.7811
Average rate during period	0.9710	0.9054	0.9064	0.8095
Rate at the end of period	0.9402	0.8620	0.9047	0.8017

On June 30, 2015 the noon buying rate for one (1) Canadian dollar expressed in United States dollars, as quoted by the Bank of Canada, was $1.00=US$0.8017 (or US$1.00=$1.2473). The Canadian dollar/U.S. dollar exchange rate has varied significantly over the last several years and investors are cautioned that the exchange rates presented here are historical and are not indicative of future exchange rates.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

GLOSSARY OF TERMS

Unless the context otherwise requires, when used in this Circular the following terms shall have the meanings set forth below. Words importing the singular number shall include the plural and vice versa, and words importing any gender shall include all genders.

1933 Act means the United States *Securities Act of 1933*, as amended and now in effect and as it may be further amended from time to time, and the rules and regulations promulgated thereunder.

1934 Act means the United States *Securities Exchange Act of 1934*, as amended and now in effect and as it may be further amended from time to time, and the rules and regulations promulgated thereunder.

2012 Debentures means the 6.15% convertible debentures due September 30, 2017 of the Corporation in an aggregate principal amount of $43 million issued pursuant to the 2012 Indenture.

2012 Indenture means the convertible debenture indenture dated July 31, 2012, between the Corporation, as issuer, and Computershare Trust Company of Canada, as the same may be amended, supplemented, replaced or otherwise modified from time to time.

2014 AGM has the meaning ascribed to such term under the heading Statement of Corporate Governance Practices Board Committees Audit Committee .

2014 Debentures means, collectively, the Series 1 Debentures and the Series 2 Debentures.

2014 Indenture means the indenture dated January 31, 2014 between the Corporation, Computershare Trust Company of Canada and Computershare Trust Company, N.A., as supplemented on January 31, 2014 and April 11, 2014, and as the same may be amended, supplemented, replaced or otherwise modified from time to time.

3(a)(10) Securities means the Common Shares to be issued to Debentureholders and holders of RSUs pursuant to the Arrangement.

Additional New Common Shares has the meaning ascribed to such term under the heading Rights Offering Additional Subscription Privilege .

Additional Subscription Privilege has the meaning ascribed to such term under the heading Rights Offering Additional Subscription Privilege .

Affiliate of any particular Person means any other Person controlling, controlled by or under common control with such particular Person. For the purposes of this definition, control means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise.

AIF has the meaning ascribed to such under the heading Documents Incorporated by Reference .

Annual Financial Statements has the meaning ascribed to such under the heading Documents Incorporated by Reference .

Applicable Securities Laws mean all applicable Laws, regulations, rules, policies or instruments of any securities commission, stock exchange or like body in Canada and the United States (including U.S. securities laws).

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Approved Ineligible Holder means a person in an Ineligible Jurisdiction if the Corporation determines that the offering of Rights to and subscription by such person is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such person is resident.

Arrangement means an arrangement under Section 192 of the CBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Plan of Arrangement or made at the direction of the Court in the Interim Order or the Final Order.

Arrangement Agreement means the arrangement agreement dated as of June 18, 2015 between the Corporation and Newco, as amended or restated from time to time.

Arrangement Resolutions means, collectively, the Shareholders Arrangement Resolution and the Debentureholders Arrangement Resolution.

Articles of Arrangement means the articles of arrangement in respect of the Arrangement required under subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been made giving effect to the Arrangement.

Audit Committee has the meaning ascribed to such term under the heading Statement of Corporate Governance Practices Board Committees Audit Committee .

Backstop Agreement means the backstop agreement dated June 18, 2015 between NAP and Brookfield.

Backstop Commitment means the agreement by Brookfield to acquire all of the New Common Shares which remain unsubscribed for by the holders of the Rights at the Rights Expiry Time.

Backstop Fee Shares has the meaning ascribed to such term under the heading Rights Offering Backstop Agreement .

Backstopped Shares means the New Common Shares that were not otherwise subscribed for and taken up in the Rights Offering by holders of Rights prior to the Rights Expiry Time, if any.

Basic Subscription Privilege means the right of a holder of a Right to purchase 0.1693 New Common Shares per Right, such that a holder may exercise 5.91 Rights to purchase one (1) New Common Share for the Subscription Price prior to the Rights Expiry Time.

BNS Credit Agreement means the second amended and restated credit agreement dated as of June 7, 2013, between, *inter alia*, the Corporation, Lac des Iles Mines Ltd., as borrowers, and the BNS Credit Agreement Lender, as amended by the first amendment dated as of November 23, 2013, the extension and second amendment dated as of July 4, 2014, the third amendment dated as of October 30, 2014 and the waiver and fourth amendment dated as of April 15, 2015, as amended, restated, or replaced from time to time.

BNS Credit Agreement Lender means, collectively, The Bank of Nova Scotia as administrative agent and collateral agent, and the persons who are lenders from time to time under the BNS Credit Agreement and the other BNS Credit Documents, and any Affiliate of any of the foregoing Persons.

BNS Credit Documents means the BNS Credit Agreement and all documents, agreements, certificates, instruments, and security documents and agreements executed from time to time by the Corporation or Lac Des Iles Mines Ltd. in any way related to or connected with (i) the BNS Credit Agreement; and

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

(ii) any (A) cash management arrangement, (B) swap, hedging, foreign exchange or other derivative transaction, and (C) financing lease arrangement, in each case entered into from time to time by the Corporation or Lac Des Iles Mines Ltd. with a BNS Credit Agreement Lender.

Board of Directors or **Board** means the board of directors of NAP.

Brookfield means BCP III NAP L.P. by its administrative general partner, Brookfield Capital Partners Ltd.

Brookfield Asset Management means Brookfield Asset Management Inc.

Brookfield Bridge Loan means the principal amount of US$25,000,000 made available by Brookfield to the Corporation pursuant to the waiver and fourth amendment dated June 18, 2015 to the Brookfield Existing Loan.

Brookfield Existing Loan means the senior secured term loan under the loan agreement between the Corporation, Lac des Iles Mines Ltd. and Brookfield dated June 7, 2013, as amended on November 23, 2013, October 30, 2014 and April 15, 2015, as amended, restated, or replaced from time to time (but for greater certainty, not including the Brookfield Bridge Loan).

Brookfield Representation Condition has the meaning ascribed to such term under the heading Recapitalization Agreement .

Business Day means any day other than a Saturday or a Sunday, or a statutory or civic holiday on which commercial banks are generally open for business in Toronto, Ontario and New York, New York, USA.

CBCA means the *Canada Business Corporations Act* and the regulations thereto, as now in effect and as it may be amended from time to time prior to the Effective Date.

CCAA means the *Companies Creditors Arrangements Act* (Canada) and the regulations thereto, as now in effect and as it may be amended from time to time prior to the Effective Date.

CDS means CDS Clearing and Depository Services Inc. or any successor thereof.

CDS Participant means a registered broker/dealer or other financial institution in Canada that is a direct or indirect participant in the CDS system.

Certificate means the certificate giving effect to the Arrangement to be issued by the Director pursuant to Section 192(7) of the CBCA upon receipt of the Articles of Arrangement in accordance with Section 262 of the CBCA.

CIBC means CIBC World Markets Inc.

CIBC Opinions means the opinions of CIBC dated June 18, 2015 in the forms attached as Appendix D to this Circular.

Circular means this management proxy circular.

Closing Date means the second Business Day following the Rights Expiry Time, or such other date as may be agreed by the Corporation and Brookfield.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Closing Time means 8:00 a.m. (Toronto time) on the Closing Date or at such other time as the Corporation and Brookfield may agree upon in writing.

Closure Plan Amendment means the closure plan amendment to be submitted to the Ontario Ministry of Northern Development and Mines in respect of the expansion of the TMF.

Code means the *U.S. Internal Revenue Code of 1986*, as amended.

Code of Conduct has the meaning ascribed to such term under the heading Statement of Corporate Governance Practices Code of Conduct .

Common Shares means the common shares in the capital of NAP prior to the Share Consolidation.

Consenting Debentureholder means Polar Securities Inc., a Debentureholder holding approximately $23,328,000 or 54% of the principal amount of Debentures as of April 15, 2015.

Convention means the *Canada-United States Income Tax Convention* (1980), as amended.

Corporation means North American Palladium Ltd.

Corporation Representation Condition has the meaning ascribed to such term under the heading Recapitalization Agreement .

CRA means the Canada Revenue Agency.

Court means the Ontario Superior Court of Justice (Commercial List).

D&O means director and officer.

Debentureholder Voting Record Date means June 30, 2015.

Debentureholders mean the holders of the Debentures.

Debentureholders Arrangement Resolution means the resolution of the Debentureholders to approve the Arrangement, the full text of which is set out as Appendix A to this Circular.

Debentureholders Meeting means the meeting of Debentureholders scheduled to be held on July 30, 2015 to consider the matters set out in the Debentureholders Notice, and any adjournment(s) or postponement(s) thereof.

Debentureholders Notice means the notice of the Debentureholders Meeting.

Debentures means, collectively, the 2012 Debentures, Series 1 Debentures and the Series 2 Debentures.

Deferred Plans has the meaning ascribed to such term under the heading Income Tax Considerations Certain Canadian Federal Income Tax Considerations Residents of Canada - Eligibility for Investment .

D.F. King means D.F. King Co., Inc.

Director means the Director appointed pursuant to Section 260 of the CBCA.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Director s Order means the order signed on June 4, 2015 and issued by the Ontario Ministry of the Environment and Climate Change to the Corporation, Lac des Iles Mines Ltd., Robert Joseph Quinn, William James Weymark, John W. Jentz, Alfred L. Hills, Andre J. Douchane, Gregory J. Van Staveren, Phillippus F. du Toit, Jim Gallagher and Dave Langille relating to the LDI Mine site.

Director s Order and any Amendments means the Director s order and includes any amended, restated, replacement or further order or other instrument addressing the same or a similar subject matter, or any related underlying issue, as the Director s Order.

DTC means the Depositary Trust Company or any successor thereof.

DTC Participant means a direct participant in the DTC book-entry only system.

Effective Date means the date shown on the Certificate.

Effective Time means 12:01 a.m. (Toronto time) on the Effective Date or such other time as may be specified in writing by NAP prior to the Effective Date.

Eligible Jurisdictions means the provinces and territories of Canada and if the Registration Statement is filed and becomes effective prior to the Effective Date, the United States (but not elsewhere).

Final Order means the final order of the Court approving the Arrangement as such order may be amended at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as granted or affirmed.

g/t means grams per tonne.

Governance Committee has the meaning ascribed to such term under the heading Statement of Corporate Governance Practices Board Committees Governance, Nominating and Compensation Committee .

Governmental Entity means any government, regulatory authority, stock exchange (including the TSX), governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

Holder has the meaning ascribed to such term under the heading Rights Offering Issue of the Rights .

ICFR has the meaning ascribed to such term under the heading Risk Factors Risks Relating to the Corporation - The Corporation may fail to achieve and maintain adequate internal control over financial reporting pursuant to the requirements of the Sarbanes-Oxley Act and Equivalent Canadian Legislation .

IFRS means the International Financial Reporting Standards, as issued by the International Accounting Standards Board.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Indenture Trustees means Computershare Trust Company of Canada, the trustee under the 2012 Indenture, and Computershare Trust Company of Canada and Computershare Trust Company, N.A., the trustees under the 2014 Indenture.

Indentures means, collectively, the 2012 Indenture and the 2014 Indenture.

Ineligible Holders means a holder of Rights resident in an Ineligible Jurisdiction.

Ineligible Jurisdiction means any jurisdiction other than the Eligible Jurisdictions.

Interim Order means the interim order of the Court pursuant to subsection 192(4) of the CBCA containing declarations and directions with respect to the Arrangement and the Debentureholders Meeting and issued pursuant to the application of NAP therefor.

Intermediary means an intermediary with which a Non-Registered Debentureholder or a Non-Registered Shareholder may deal, including banks, trust companies, securities dealers or brokers and trustees or administrators of self-directed trusts governed by RRSPs, RRIFs, RESTs and similar plans, and their nominees.

IRS means the U.S. Internal Revenue Service.

KPMG means KPMG LLP.

Law or **Laws** means any law, statute, order, decree, consent decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in Canada, the United States (including U.S. Securities Laws) or any other country, or any domestic or foreign state, county, province, city or other political subdivision or of any Governmental Entity.

LDI Mine means the Lac des Iles mine.

LDI Report means the NI 43-101 report titled Amended and Restated NI 43-101 Technical Report for Lac des Iles Mine, Ontario Incorporating A Preliminary Economic Assessment of the Mine Expansion Plan dated April 20, 2015 (effective date of February 18, 2015) prepared by Dr. D. Peck, Mr. D. Decharte, Mr. D. Penna, Mr. C. Roney, Mr. B. Young, Mr. R. Duinker and Mr. B. Houdeh.

Letter of Transmittal means the letter of transmittal for use by Securityholders with respect to the Arrangement.

Material Adverse Change means any previously undisclosed material adverse change in the Corporation s business operations; for greater certainty, any change in the Corporation s business operations resulting from or arising in connection with any of the following does not constitute a Material Adverse Change: (i) any change in IFRS; (ii) any change in commodity prices; (iii) any adoption, proposal, implementation or change in applicable Laws or any interpretation thereof by any Governmental Entity; (iv) any change in global, national or regional political conditions (including the outbreak of war or acts of terrorism) or in general economic, business, regulatory, political or market conditions or in national or global financial or capital markets; (v) any natural disaster; (vi) any change in the market price or trading volume of any securities of the Corporation; (vii) the execution, announcement or performance of the Recapitalization Agreement, the Term Sheet, the Plan of Arrangement or any other related agreement and the completion of the transactions contemplated thereby; (viii) the failure, in and of itself, of the Corporation to meet any internal or public projections, forecasts or estimates of revenues or earnings; or (ix) any action taken by the Corporation which is required by the Term Sheet, provided however that:

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

(a) if the Corporation incurs or is reasonably expected to incur in excess of $12,500,000, in aggregate (net of insurance recoveries and excluding any internal labour costs), (i) to comply with the Director s Order and any Amendments, (ii) to stabilize any dam and any other containment structure at the LDI Mine site as a result of or otherwise related to the Director s Order and any Amendments or related matters and (iii) to cover the incremental cost resulting from or otherwise related to the Director s Order and any Amendments or related matters to expand the tailings management facilities and water management facilities;

(b) if there is a failure or other breach of any dam or other containment structure at the LDI Mine site that materially affects or may reasonably be expected to materially affect the Corporation s business operations, including any of its plans, projections, forecasts or estimates; or

(c) if the mill at the LDI Mine site is processing less than 8,400 tonnes of ore per day, on average, between the date the mill recommences processing ore in accordance with the Director s Order and any Amendments and July 15, 2015 (and, for greater clarity, if such recommencement does not occur prior to July 15, 2015, the average tonnes of ore processed per day will be zero),

a Material Adverse Change shall automatically be deemed to have occurred.

Meeting Materials has the meaning ascribed to such term under the heading General Information - Non-Registered Holders .

Meetings means, collectively, the Shareholders Meeting and the Debentureholders Meeting.

Mercator means Mercator Minerals Ltd.

Mercer has the meaning ascribed to such term under the heading Director Compensation Review of Director Compensation .

Mt means million tonnes.

NAP means North American Palladium Ltd.

NAP Quebec means NAP Quebec Mines Ltd.

Newco means NAP Newco Inc.

New Common Shares means the Common Shares after the Share Consolidation.

NI 43-101 means National Instrument 43-101 *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators.

NI 51-102 means National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

NI 52-110 means National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

NI 54-101 means National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators.

NI 58-101 means National Instrument 58-101 *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators.

Non-Registered Debentureholder means a non-registered, beneficial holder of Debentures whose Debentures are held through an Intermediary.

Non-Registered Holder means a Non-Registered Debentureholder or a Non-Registered Shareholder, as applicable.

Non-Registered Shareholder means a non-registered, beneficial holder of Common Shares whose Common Shares are held through an Intermediary.

Notices of Meeting means, collectively, the Debentureholders Notice and the Shareholders Notice.

NYSE MKT means the NYSE MKT, LLC.

OBO has the meaning ascribed to it under the heading General Information General .

Offset Zone means the mineralized zone located below and approximately 250 metres to the west of the LDI underground mine Roby Zone orebody.

Open Pit Expansion means the expansion of the currently idle open pit mine.

Options means the outstanding stock options, whether or not vested, to acquire Common Shares granted pursuant to Stock Option Plan.

Outside Date means September 16, 2015.

Pd means palladium.

Person means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any agency, instrumentality or political subdivision of a Governmental Entity, or any other entity or body.

PFIC means a passive foreign investment company within the meaning Section 1297 of the Code.

PGM has the meaning ascribed to such term under the heading Risk Factors Risks Relating to the Corporation - The Corporation s financial results are directly affected by commodity prices .

Phase 2 Expansion means the potential deepening of the shaft at the LDI Mine to access the lower Offset Zone.

Plan of Arrangement means the plan of arrangement substantially in the form and content of Appendix C to this Circular and any amendments or variations thereto made in accordance with the provisions of the Plan of Arrangement or made at the direction of the Court in the Interim Order or the Final Order.

Principal Claim Amount means, with respect to each holder of Debentures, the principal amount of the Debentures owned by such holder at the Debentureholder Voting Record Date.

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Table of Contents

Proposed Amendments has the meaning ascribed to such term under the heading Income Tax Considerations Certain Canadian Federal Income Tax Considerations .

Recapitalization means the transactions contemplated by the Plan of Arrangement and the Recapitalization Agreement.

Recapitalization Agreement means the recapitalization agreement dated June 18, 2015 between NAP and Brookfield.

Recapitalization Securities means, collectively, the Rights, the New Common Shares issuable upon the exercise of the Rights, the Backstopped Shares and the Backstop Fee Shares.

Registered Debentureholder means a Debentureholder as shown on the register maintained by or on behalf of NAP for the Debentures.

Registered Shareholder means a Shareholder as shown in the register maintained by or on behalf of NAP for the Common Shares.

Registration Statement means the Form F-7 filed by the Corporation under the 1933 Act registering the New Common Shares to be issued in the Rights Offering, as such registration statement may be amended from time to time.

Regulation S means Regulation S adopted by the SEC pursuant to the 1933 Act.

Regulations has the meaning ascribed to such term under the heading Income Tax Considerations Certain Canadian Federal Income Tax Considerations .

Rights means the rights to be issued by NAP pursuant to the Rights Offering, with each Right entitling the holder thereof to subscribe for 0.1693 New Common Shares, such that 5.91 Rights shall entitle the holder to purchase one (1) New Common Share for the Subscription Price.

Rights Agent means Computershare Investor Services Inc.

Rights Certificate means certificates in registered form evidencing the Rights.

Rights Expiry Date means the 21st calendar day (or the next Business Day if this date is not a Business Day) following the Rights Issuance Date.

Rights Expiry Time means 5:00 p.m. (Toronto time) on the Rights Expiry Date.

Rights Issuance Date means the date on which the Rights are issued by the Corporation, which shall occur on the Rights Offering Record Date.

Rights Offering Record Date means the record date for the Rights Offering, which shall occur on the date that is ten (10) trading days after the Effective Date.

Rights Offering means the issuance by NAP of one (1) Right for each New Common Share held by Shareholders of record on the Rights Offering Record Date.

Roby Zone means the mineralized zone extending to a minimum depth of 650 metres below surface at the LDI Mine.

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Table of Contents

RRIF has the meaning ascribed to such term under the heading Income Tax Considerations Certain Canadian Federal Income Tax Considerations Eligibility for Investment .

RRSP has the meaning ascribed to such term under the heading Income Tax Considerations Certain Canadian Federal Income Tax Considerations Eligibility for Investment .

RSUs means the outstanding restricted share units issued pursuant to the RSU Plan.

RSU Plan means the 2014 amended and restated North American Palladium Ltd. restricted share unit plan for directors, officers and key employees.

SEC means the United States Securities and Exchange Commission.

Section 3(a)(10) Exemption means the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) of the 1933 Act.

Securityholders means the Debentureholders and the Shareholders.

Series 1 Debentures means the 7.5% convertible unsecured subordinated debentures of the Corporation due January 31, 2019 in the aggregate principal amount of $1,000.

Series 1 Warrants means the issued and outstanding Common Share purchase warrants issued on January 31, 2014 and February 10, 2014 and outstanding pursuant to the 2014 Indenture.

Series 2 Debentures means the 7.5% convertible unsecured subordinated debentures of the Corporation due April 11, 2019 in the aggregate principal amount of $250,000.

Series 2 Warrants means the issued and outstanding Common Share purchase warrants issued on April 11, 2014 and April 17, 2014 pursuant to the 2014 Indenture.

Share Consolidation means the consolidation of NAP s issued and outstanding Common Shares on the basis of one (1) New Common Share for every 400 Common Shares.

Shareholder Voting Record Date means June 30, 2015.

Shareholders mean the holders of Common Shares.

Shareholders Meeting means the meeting of Shareholders scheduled to be held on July 30, 2015 to consider the matters set out in the Shareholders Notice.

Shareholders Notice means the notice of the Shareholders Meeting.

Shareholders Arrangement Resolution means the resolution of the Shareholders to approve the Arrangement, the full text of which is set out as Appendix B to this Circular.

SOX has the meaning ascribed to such term under the heading Risk Factors Risks Relating to the Corporation - The Corporation may fail to achieve and maintain adequate internal control over financial reporting pursuant to the requirements of the Sarbanes-Oxley Act and Equivalent Canadian Legislation .

Special Committee has the meaning ascribed to such term under the heading Statement of Corporate Governance Practices Board Committees Special Committee .

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Table of Contents

Starfield means Starfield Resources Inc.

STIP has the meaning ascribed to such term under Compensation Discussion and Analysis .

Stock Option Plan means the Corporation s stock option plan, as amended and restated in 2013 and further amended in 2014.

Subscription Price means $5.97 per New Common Share.

Subscription Office has the meaning ascribed to such term under the heading Rights Offering Rights Agent .

Support Agreement means the support agreement dated April 15, 2015 between NAP, Brookfield and the Consenting Debentureholder pursuant to which the Consenting Debentureholder has agreed to support and vote its Debentures in favour of the Arrangement on the terms and conditions set out therein.

Tax Act means the *Income Tax Act* (Canada) as now in effect and as it may be amended from time to time.

Technical Committee has the meaning ascribed to such term under the heading Statement of Corporate Governance Practices Board Committees Technical, Environment, Health and Safety Committee .

Term Sheet means the definitive, binding term sheet dated as of April 15, 2015 between the Corporation and Brookfield.

TFSA has the meaning ascribed to such term under the heading Income Tax Considerations Certain Canadian Federal Income Tax Considerations Eligibility for Investment .

TMF means the tailings management facility at the LDI Mine.

Transfer Agent means Computershare Investor Services Inc., the registrar and transfer agent of the Common Shares and the Debentures.

TSX means the Toronto Stock Exchange.

United States means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

US$ or **U.S. dollars** means United States dollars.

U.S. Holder has the meaning ascribed to such term in Income Tax Considerations - Certain United States Federal Income Tax Considerations .

U.S. Securities Laws means collectively, and as the context may require, the 1933 Act and all other applicable U.S. federal and state securities laws, rules and regulations and published policies thereunder.

Warrantholders mean the holders of the Warrants.

Warrants means, collectively, the Series 1 Warrants and the Series 2 Warrants.

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Table of Contents

Vale means Vale Canada Limited.

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Table of Contents

SUMMARY

The following is a summary of the contents of this Circular. This summary is provided for convenience only and the information contained in this summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing or referred to elsewhere in this Circular, including the appendices. Securityholders should read this Circular in its entirety to understand the terms of the Arrangement as well as other considerations that may be important to them in deciding whether to approve the Arrangement. Securityholders should pay special attention to the Risk Factors section of this Circular. Capitalized terms used herein, and not otherwise defined, have the meanings ascribed to them in the Glossary.

THE ARRANGEMENT

This Circular describes the proposed Arrangement. The Arrangement will be considered by the Shareholders and the Debentureholders at their respective Meetings. If completed as contemplated, the Arrangement will effect a number of significant changes to the capital structure of NAP (including a change of control of NAP), as more particularly described in this Circular.

BACKGROUND TO THE ARRANGEMENT

Over the past several years, the Corporation, along with several of its peers in the mining industry, has faced a number of challenges including operating in an environment of constrained availability of capital. In 2010, the Corporation commenced an expansion of the LDI Mine to access the Offset Zone. The expansion plan consisted of sinking a shaft and extending the ramp from the Roby Zone into the Offset Zone.

Mining of the first Offset Zone stope commenced in the fourth quarter of 2012. Capital expenditures in 2012 totaled $145.2 million at LDI, of which $130.4 million was invested in the mine expansion. In late 2012, the Corporation announced that it was exploring divestiture opportunities for its gold division assets and conducting a comprehensive strategic review to improve its capital structure and enhance liquidity.

In March of 2013, the Corporation completed the sale of its wholly-owned subsidiary NAP Quebec resulting in the disposition of its gold division assets for gross proceeds of $18 million in cash, 1.5 million common shares of the purchaser and $1.8 million of receivable inventory amounts. In June of 2013 the Corporation entered into a US$130 million debt financing with Brookfield to fund the Corporation s ongoing expansion of the LDI mine.

In late 2013, the Corporation completed Phase I of the mine expansion including construction and commissioning of the shaft and the underground ore handling system. Capital expenditures in 2013 totaled $109.5 million with $91.8 million spent on the LDI Mine expansion. In December of 2013 an additional US$21 million was received from Brookfield to support working capital needs and continue funding operational and capital expenditures at the LDI Mine. As a result, the Corporation s debt was increased to US$169.7 million principal outstanding under the loan.

In January and February of 2014, the Corporation completed the first tranche of a public offering of convertible unsecured subordinated debentures and warrants. In April of 2014 the Corporation completed the second tranche of the public offering of convertible debentures and warrants. The proceeds were used for general corporate purposes including upgrades to the ore handling system. The Corporation gradually ramped-up production utilizing the new shaft. The Corporation invested $23.8 million from the proceeds of the offerings in capital expenditures and successfully transitioned to underground mining utilizing the new shaft and related infrastructure.

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Table of Contents

As described above, the mine expansion required significant capital, new infrastructure and did not originally yield the anticipated efficiencies in the timeframe that was expected, which ultimately led to higher costs for the Corporation while the Corporation was completing the construction and seeking to maximize efficiencies at the underground mine. In addition, the Corporation was spending capital to carry out exploration to extend the mine life. In order to improve its financial condition in the longer-term and its financial position, the Corporation determined that it would consider strategic alternatives, including raising capital on both dilutive and/or expensive terms.

In January 2015, the Corporation retained CIBC to act as its financial advisor in connection with a strategic review process to solicit interest in a sale of the Corporation and consider refinancing alternatives. In February 2015, CIBC commenced a targeted sale process to determine market interest in a potential transaction to acquire the Corporation or its assets, or recapitalize the Corporation. The Board also considered various types of transactions that would assist realizing immediate cash flows for minerals extracted in the future. These transactions included streaming transactions, forward sales of extracted minerals, and finding a potential partner with which the Corporation could enter into a joint venture.

In late March 2015, the Corporation became aware of potential violations of certain financial covenants under the BNS Credit Agreement and the Brookfield Existing Loan due to a decline in palladium prices and weakening of the Canadian dollar, and to lower production volumes in March combined with higher expenses. The Corporation began discussions with Brookfield to obtain waivers providing temporary relief with respect to compliance with these covenants and sought amendments to the Brookfield Existing Loan with respect to the covenants. Brookfield agreed to a series of temporary waivers with respect to compliance with the covenants; however, the Corporation was not able to secure amendments with respect to the covenants.

In April 2015, Brookfield proposed a potential recapitalization transaction. CIBC and Stikeman Elliott LLP, the Corporation s outside legal counsel, assisted the Corporation with these discussions and negotiations. On April 15, 2015, the Corporation and Brookfield entered into a binding recapitalization term sheet aimed at significantly reducing the Corporation s debt and enhancing the Corporation s liquidity, which permitted the Corporation to conduct a strategic review process to solicit interest in a sale of the Corporation, as an alternative to the Recapitalization. The Corporation had until June 30, 2015 to obtain a superior proposal. The terms of the Recapitalization were ultimately supported by the lender under the BNS Credit Agreement and a Debentureholder holding approximately 54% of the outstanding principal amount of the Debentures. In connection with the foregoing, Brookfield advanced US$25 million to the Corporation in the form of an interim credit facility on April 15, 2015.

Following the execution of the Term Sheet, CIBC re-launched its sale process on an expedited basis to canvass if any superior proposals existed. CIBC established an accelerated process for identifying potentially-interested parties, soliciting interest and conducting due diligence. CIBC contacted various strategic, financial, off-take and trading houses, and royalty or streaming companies; however, no proposals were received through the sale process. As a result, CIBC concluded that no formal or acceptable superior proposals were likely to be received and in a position to be implemented prior to the June 30th timeline provided for in the Term Sheet.

In May of 2015, the LDI Mine was addressing water seepage issues, including a relatively small discharge of reclaim water at the LDI Mine. The discharged water was initially contained and pumped back into a water reclaim pond at the LDI Mine. The Corporation instituted a temporary suspension of milling operations at the LDI Mine due to these water balance issues. Additional leakages at some of the existing containment structures were then experienced and were found to have reached a small water body. These issues were exacerbated by the late and rapid onset of spring, accompanied by heavy rains,

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Table of Contents

causing excess water to enter containment areas resulting in an upsetting of the water balance at the LDI Mine. A leak then occurred in a decommissioned tailings pond that was used to store reclaimed water, which was ultimately contained on site. However, due to persistent high water levels in the containment ponds, milling operations at the LDI Mine remained suspended and, after consultation with government ministries, the Corporation received approval to commence a controlled release of water in order to restore the water balance. Prior to the restart of milling operations, the Corporation received a dam safety report from an independent, third-party engineering consulting firm that reconfirmed the integrity of the containment structures at the TMF. The Corporation also successfully restored water balance levels at the LDI Mine to within permitted operating levels. Following consultations with relevant provincial ministries, the Corporation was confirmed to be in full compliance with all necessary requirements to allow for the restart of milling operations. The temporary suspension of milling operations had an adverse impact on the Corporation s short-term liquidity.

The Ontario Ministry of the Environment and Climate Change issued the Director s Order dated June 4, 2015 to the Corporation, Lac des Iles Mines Ltd., the Board and certain officers of the Corporation requiring, among other things, that all necessary measures be taken to prevent the failure or breach of the tailings dams or other structures at the LDI Mine site, and to prevent and minimize any adverse effect as a result of discharging untreated/partially treated reclaim water into the environment. The independent directors of the Corporation named personally in the Director s Order have appealed this order in their respective personal capacities.

As the strategic review process did not yield any viable alternatives, on June 18, 2015, the Corporation and Brookfield entered into the Recapitalization Agreement and the Backstop Agreement. Also on this date, the Corporation and Brookfield entered into the Brookfield Bridge Loan to secure US$25 million of temporary working capital support, which the Corporation is using to cover the costs incurred due to the suspension of milling operations and to cover the costs incurred to comply with the Director s Order, including those related to the restart of milling operations. Milling operations resumed on June 26, 2015 and the mill is currently running at approximately 8,400 tonnes per day.

On June 30, 2015, the Corporation obtained the Interim Order.

DESCRIPTION OF THE ARRANGEMENT

If the Arrangement Resolutions are approved by Debentureholders and Shareholders and all other conditions precedent to closing are satisfied or waived, the Arrangement will be implemented by way of a court approved plan of arrangement pursuant to Section 192 of the CBCA. Pursuant to the Arrangement, and subject to the specific terms thereof:

(a) the Corporation shall pay all accrued and unpaid interest under the Brookfield Existing Loan in cash to Brookfield;

(b) the Brookfield Existing Loan shall be, and shall be deemed to be, irrevocably, finally and fully settled and extinguished by the issuance by the Corporation to Brookfield of 18,214,401,868 Common Shares (representing 92% of the outstanding Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering);

(c)

Debentureholders will receive a cash payment in respect of all accrued and unpaid interest on the Debentures up to (but not including) the Effective Date;

(d) the Debentures (representing in aggregate $43,251,000) shall be, and shall be deemed to be, irrevocably, finally and fully settled and extinguished by the issuance by the

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Table of Contents

Corporation to the Debentureholders of 1,187,895,774 Common Shares, with each Debentureholder being entitled to receive its *pro rata* share of such Common Shares in full and final settlement of and in exchange for the Debentures (representing 6% of the outstanding Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering);

(e) RSUs issued pursuant to the RSU Plan issued and outstanding at the Effective Time, whether or not vested, will be transferred to the Corporation without any action on behalf of the respective holders thereof, free and clear of all liens, charges, encumbrances and any other rights of others, and in exchange therefor, the Corporation shall issue to the holder such number of Common Shares as were subject to the RSUs immediately prior to the Effective Time and the RSU Plan will be terminated and the Corporation will have no liabilities or obligations with respect to the RSU Plan;

(f) the Common Shares then issued and outstanding will be consolidated on the basis of one (1) New Common Share for every 400 Common Shares.

(g) the Options will be cancelled for no consideration and the Stock Option Plan will be terminated and the Corporation will not have any liabilities or obligations outstanding with respect to the Stock Option Plan;

(h) the Warrants will be terminated for no consideration;

(i) Newco, a subsidiary of the Corporation created for the sole purpose of effecting the Arrangement, shall assign, transfer and convey all of its right, title and interest of Newco in and to all of its undertaking, property and assets to its sole shareholder and its sole shareholder shall assume all debts, obligations and liabilities of Newco and Newco shall then be dissolved; and

(j) on the Rights Issuance Date, holders of New Common Shares will receive, for each New Common Share held following the completion of the Share Consolidation one (1) Right to subscribe for 0.1693 New Common Shares at a Subscription Price of $5.97 per New Common Share (subject to adjustment in certain circumstances);

(k) on the Rights Expiry Date, the Corporation shall issue New Common Shares to each holder of Rights upon the due exercise of the Rights and receipt of payment therefor; and

(l) if any of the Rights remain unexercised at the Rights Expiry Time, the issuance of the Backstopped Shares to Brookfield and the Consenting Debentureholder upon the exercise of such Rights pursuant to the Backstop Commitment.

If the Arrangement Resolutions are approved, existing Shareholders will own approximately 2% of the outstanding New Common Shares and Debentureholders will own approximately 6% of the outstanding New Common Shares upon completion of the Arrangement (but prior to completion of the Rights Offering). Brookfield will own approximately 92% of the outstanding New Common Shares upon completion of the Arrangement (but prior to

completion of the Rights Offering) and the Arrangement will result in a change of control of the Corporation. Other obligations and indebtedness of NAP not described above will not be affected by the Arrangement. Trade debt, obligations to employees generally and under pension plans will all be required to continue to be paid or satisfied by NAP in the ordinary course.

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Table of Contents

No fractional shares will be issued in connection with the Arrangement. With respect to fractional shares that would otherwise be issuable to a securityholder, the entitlement of such securityholder will be reduced to the next lowest whole number of Common Shares or New Common Shares, as applicable.

RECOMMENDATION OF THE BOARD

The Arrangement is expected to substantially improve the capital structure and financial position of the Corporation by deleveraging its balance sheet, significantly reducing cash interest and providing it with improved liquidity and improved access to capital. The Board and management of the Corporation believe that the Arrangement will provide the necessary financial flexibility and capital resources to manage the business in the current economic environment and enable the Corporation to continue to pursue its business plan, without having to pursue non-consensual proceedings under creditor protection legislation.

In connection with the Arrangement, the Board of Directors received opinions from CIBC to the effect that, as of the date thereof, and subject to the qualifications set out therein: (i) the Debentureholders and the Shareholders would each be in a better financial position, respectively, under the Arrangement than if the Corporation were liquidated, as in each case the estimated aggregate value of the consideration available to the Debentureholders and the Shareholders, respectively, pursuant to the Arrangement would exceed the estimated value that such Debentureholders and Shareholders would receive in a liquidation, respectively; and (ii) the Arrangement, if implemented, is fair, from a financial point of view, to the Corporation. See CIBC Opinions . The full text of the CIBC Opinions are attached hereto as Appendix D to this Circular and should be read in their entirety for a description of the assumptions made, matters considered and limitations and qualifications on the review undertaken by CIBC in providing its opinions.

The Board also considered various factors, including: the challenging circumstances that the Corporation has been faced with over the past several years; the challenges faced by the Corporation to meet expected cash requirements of the Corporation, including to service and repay existing debt; the fact that the terms of the Arrangement are the result of arm s length negotiations by the Corporation with support from their financial and legal advisors; the likely consequences of a failure to pursue the Arrangement; a process to solicit a superior proposal to the Arrangement was conducted but did not present any viable alternatives; the strategic significance and benefits of the Arrangement; the fact that the Arrangement provides a continuing equity interest in the Corporation for Shareholders and Debentureholders; the CIBC Opinions; the input the Corporation has received from CIBC and the fact that a Debentureholder holding approximately 54% of the principal amount of the Debentures is supportive of the Arrangement.

After careful consideration of these and other factors and following consultation with its financial advisor and outside legal counsel, the Board has unanimously determined that the Arrangement is in the best interests of the Corporation and has unanimously determined to recommend to Debentureholders and Shareholders that they **VOTE FOR** the Arrangement Resolutions at the Meetings. See Recommendation of the Board of Directors .

THE MEETINGS

Pursuant to the Interim Order, NAP has called the meeting of the Debentureholders to consider and, if deemed advisable, to approve the Debentureholders Arrangement Resolution and NAP has called the meeting of the Shareholders to consider, and, if deemed advisable, to (i) approve the Shareholders Arrangement Resolution, and (ii) elect directors of the Corporation for the ensuing year, and approve the

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Table of Contents

appointment of KPMG LLP, as auditors for the Corporation, and to authorize the directors of the Corporation to set the auditors remuneration. The Meetings are scheduled to be held at the following place, dates and times (unless adjourned or postponed):

Meeting	Time and Date	Place
Debentureholders Meeting	10:00 a.m. (Toronto time) on July 30, 2015	Stikeman Elliott LLP, 53rd Floor, Commerce Court West, Suite 5300, 199 Bay Street, Toronto, Ontario
Shareholders Meeting	10:30 a.m. (Toronto time) on July 30, 2015	Stikeman Elliott LLP, 53rd Floor, Commerce Court West, Suite 5300, 199 Bay Street, Toronto, Ontario

The Court has set the quorum for the Debentureholders Meeting as the presence, in person or by proxy, of one (1) or more persons representing at least 50% in principal amount of the outstanding Debentures.

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

Procedures for Voting

Those persons who are Registered Debentureholders on the Debentureholders Voting Record Date are entitled to attend and vote at the Debentureholders Meeting or to submit a proxy in respect thereof. Those persons who are Registered Shareholders on the Shareholder Voting Record Date are entitled to attend and vote at the Shareholders Meeting or to submit a proxy in respect thereof.

Non-Registered Holders who hold their Debentures and/or Common Shares in the name of an Intermediary or in the name of a depositary such as CDS or DTC will receive either a voting instruction form or, less frequently, a form of proxy. The Non-Registered Holder must complete and sign the voting instruction form and return it in accordance with the directions set out on such form. If a Non-Registered Holder desires to attend a Meeting in person, it must follow the procedures set out in Information Concerning the Meetings Non-Registered Holders .

Debentureholders and Shareholders who have questions or require further information on how to submit their vote at the Debentureholders Meeting or Shareholders Meeting, as applicable, are encouraged to speak with their brokers and Intermediaries, or to contact Computershare Investor Services Inc. toll-free at (800) 564-6253.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Stock Exchange Listing

The Common Shares are listed on the TSX. Subject to Shareholders approving the Shareholders Arrangement Resolution, the TSX has conditionally approved the: (i) listing of the Common Shares issuable to the Debentureholders and Brookfield and holders of RSUs pursuant to the Arrangement; (ii) consolidation of the Common Shares then issued and outstanding; and (iii) listing of the Rights and the New Common Shares issuable upon the exercise of the Rights, including the Backstopped Shares and the Backstop Fee Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX.

Securityholder Approvals

The Interim Order specifies that all Debentureholders as of the Record Date shall vote as one (1) class for the purposes of voting on the Debentureholders Arrangement Resolution. The Interim Order also provides that in order for the Debentureholders Arrangement Resolution to be passed by the Debentureholders (the full text of which is set out in Appendix A to this Circular) at the Debentureholders Meeting at least 66⅔% of votes cast by Debentureholders present in person or by proxy at the Debentureholders Meeting and entitled to vote on the Debentureholders Arrangement Resolution, on the basis of one (1) vote for each $1,000 of principal amount as of June 30, 2015 must be cast in favour of the Debentureholders Arrangement Resolution.

In order for the Shareholders Arrangement Resolution (the full text of which is set out in Appendix B to this Circular) to be passed by the Shareholders at the Shareholders Meeting, at least 66⅔% of the votes cast by Shareholders present in person or by proxy at the Shareholders Meeting and entitled to vote on the Shareholders Arrangement Resolution, on the basis of one (1) vote for each Common Share held as of June 30, 2015, must be cast in favour of the Shareholders Arrangement Resolution.

The approval of the Shareholders Arrangement Resolution will satisfy the TSX s requirement to obtain the approval of a majority of the votes cast by Shareholders in respect of: (i) the issuance of 19,404,572,359 Common Shares pursuant to the Arrangement (which includes the 2,274,717 Common Shares in (iii)); (ii) the material effect on control that the Arrangement will have on the Corporation; (iii) the transfer of 2,274,717 RSUs by the holders thereof to the Corporation in exchange for 2,274,717 Common Shares; and (iv) the issuance of a maximum of 8,630,870 New Common Shares pursuant to the Rights Offering at a price that may not be at a significant discount to the market price of the Common Shares. Brookfield will own approximately 92% of the outstanding New Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering and the Arrangement will result in a change of control of the Corporation.

Court Approval of Plan of Arrangement

The implementation of the Plan of Arrangement is subject, among other things, to approval of the Court. Prior to the mailing of this Circular, NAP intends to file an application for approval of the Arrangement and obtained the Interim Order.

Following the Meetings, NAP intends to apply for the Final Order. A copy of the Notice of Application for the Final Order is attached as part of Appendix E to this Circular. The hearing in respect of the Final Order is scheduled to take place on August 5, 2015 at 10:00 a.m. (Toronto time) at the courthouse, at 330 University Avenue, Toronto, Ontario, Canada. At the hearing, any Debentureholder, Shareholder, securityholder of the Corporation or other interested party who wishes to participate, or to be represented, or to present evidence or argument, may do so, subject to filing with the Court and serving upon the solicitors for NAP a Notice of Appearance and satisfying any other requirements of the Court as provided in the Interim Order or otherwise. At the hearing for the Final Order, the Court will consider,

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Table of Contents

among other things, the fairness and reasonableness of the Arrangement and the approval of the Debentureholders Arrangement Resolution by the Debentureholders at the Debentureholders Meeting and the Shareholders Arrangement Resolution by the Shareholders at the Shareholders Meeting.

The Final Order shall provide that the releases described in Article V of the Plan of Arrangement shall be binding on certain parties as contemplated by the Plan of Arrangement.

SUPPORT AGREEMENT

A Debentureholder representing approximately 54% of the aggregate principal amount of Debentures has entered into a support agreement pursuant to which it has agreed, subject to the terms and conditions thereof, to vote all of its Debentures in favour of the Arrangement Resolution at the Debentureholders Meeting. Such Debentureholder has also agreed to support the Backstop Commitment.

For a summary of the terms of the Support Agreements, see Support Agreement .

CONDITIONS TO THE ARRANGEMENT BECOMING EFFECTIVE

The following are the mutual conditions to the implementation of the Arrangement pursuant to the Recapitalization Agreement:

(a) the Interim Order shall have been granted on terms consistent with the Recapitalization Agreement and the Interim Order shall not have been set aside or modified in a manner unacceptable to either Brookfield or the Corporation, acting reasonably, on appeal or otherwise;

(b) the Debentureholders Arrangement Resolution shall have been approved at the Debentureholders Meeting;

(c) the Shareholders Arrangement Resolution shall have been approved at the Shareholders Meeting;

(d) the Final Order shall have been granted on terms consistent with the Recapitalization Agreement and the Final Order shall not have been set aside or modified in a manner unacceptable to either Brookfield or the Corporation, acting reasonably, on appeal or otherwise;

(e) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been taken by any Governmental Entity, in consequence of or in connection with the Recapitalization that restrains, impedes or prohibits (or if granted would reasonably be expected to restrain, impede or inhibit), the Recapitalization or any part thereof or requires or purports to require a variation of the Recapitalization;

(f) all material filings under applicable Laws shall have been made and any material regulatory consents or approvals that are required in connection with the Recapitalization shall have been obtained and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated; and

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Table of Contents

(g) the listing and posting on the TSX of the New Common Shares and the Rights issuable pursuant to the Recapitalization shall have been approved by the TSX, subject only to reasonable listing conditions.

The implementation of the Arrangement pursuant to the Recapitalization Agreement is subject to the following additional conditions in favour of Brookfield:

(a) the representations and warranties of the Corporation set forth in the Recapitalization Agreement shall be true and correct at the Effective Time with the same force and effect as if made at and as of such time except as such representations and warranties may be affected by the occurrence of events or transactions required by the Recapitalization Agreement and except that representations and warranties that are given as of a specified date shall be true and correct as of such date except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Change (as defined in the Recapitalization Agreement) (and, for this purpose, any reference to material , Material Adverse Change or any other concept of materiality in such representations and warranties shall be ignored), and the Corporation shall have provided Brookfield with a certificate signed by an officer of the Corporation certifying compliance with this condition as at the Effective Time;

(b) the Corporation shall have performed any and all of its material obligations under and in accordance with the Recapitalization Agreement;

(c) no Material Adverse Change shall have occurred after the date of the Recapitalization Agreement and prior to the Effective Date;

(d) the issuance and distribution of securities pursuant to the Recapitalization shall comply with the prospectus and registration requirements of Applicable Securities Laws of Canada and/or exempt from such prospectus and registration requirements;

(e) (i) all necessary actions shall have been taken with respect to the Recapitalization so that the 3(a)(10) Securities to be issued pursuant to the Recapitalization shall be exempt from the registration requirements of the 1933 Act pursuant to the Section 3(a)(10) Exemption and similar exemptions under all applicable U.S. state securities laws; and (ii) the Final Order will serve as a basis of a claim to a Section 3(a)(10) Exemption regarding the distribution of the 3(a)(10) Securities to be issued pursuant to the Recapitalization; and

(f) on the Effective Date, Brookfield shall have been reimbursed its reasonable fees and expenses in accordance with the Recapitalization Agreement; provided Brookfield advises the Corporation of such fees and expenses at least five (5) Business Days prior to the Effective Date.

The implementation of the Arrangement pursuant to the Recapitalization Agreement is subject to the following additional conditions in favour of the Corporation:

(a) the representations and warranties of Brookfield set forth in the Recapitalization Agreement shall be true and correct at the Effective Time with the same force and effect as if made at and as of such time except as such representations and warranties may be affected by the occurrence of events or transactions required by the

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Recapitalization Agreement and except that representations and warranties that are given as of a specified date shall be true and correct as of such date and Brookfield shall have provided the Corporation with a certificate signed by an officer of Brookfield certifying compliance with this condition as at the Effective Time; and

(b) Brookfield shall have performed any and all of its material obligations under and in accordance with the Recapitalization Agreement.

NAP AFTER THE ARRANGEMENT

The Arrangement is expected to substantially improve the capital structure of NAP by reducing the amount of outstanding debt by approximately $345.1 million on a consolidated basis. After the Arrangement, NAP will benefit from a reduction in the annual cash interest expense of approximately $36.0 million. See Unaudited Pro Forma Condensed Interim Consolidated Balance Sheet . Management of NAP believes that the Arrangement will enable NAP to continue to pursue its business plan. The Corporation expects to continue normal business operations at its LDI Mine and the Corporation s obligations to employees, trade creditors, equipment leases and suppliers will not be affected by the Recapitalization.

Share Capital

After the Arrangement is implemented, the authorized capital of NAP will consist of an unlimited number of New Common Shares. On the Effective Date, 49,495,656 New Common Shares are expected to be outstanding. Following completion of the Rights Offering, including the issuance of the Backstopped Shares and the Backstop Fee Shares, a maximum of 58,126,526 New Common Shares in the aggregate are expected to be outstanding. See NAP After the Arrangement Share Capital .

Debt

After the Arrangement is implemented: (i) the Indentures and all of the Debentures issued pursuant thereto will have been extinguished and terminated and there will not be any Debentures outstanding; and (ii) all of the debt owed by the Corporation to Brookfield under the Brookfield Existing Loan will be extinguished and terminated and the Brookfield Existing Loan will be terminated. The Corporation intends to use the net proceeds of the Rights Offering to fund repayment of any amounts owing under the Brookfield Bridge Loan and the ongoing operations and expansion at the LDI Mine. The Corporation s total borrowed debt (consisting of the BNS Credit Agreement and obligations under finance leases) will be approximately $48.0 million after the Arrangement. See NAP After the Arrangement Debt .

Board of Directors

Following completion of the Arrangement, the current directors will resign from the Board and the Board will be reconstituted to consist of five (5) directors, including three (3) nominated by Brookfield, one (1) nominated by Debentureholders and one (1) independent director (as such term is construed under Applicable Securities Laws). It is anticipated that one (1) current director of the Corporation will continue to serve as an independent director following completion of the Arrangement. The members of the new Board will be identified prior to the Effective Date and announced by way of a news release. See NAP After the Arrangement Board of Directors .

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Brookfield

Brookfield will own 92% of the outstanding New Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering and the Arrangement will result in a change of control of the Corporation. Brookfield is an affiliate of Brookfield Asset Management, a public company listed on the TSX, New York Stock Exchange and Euronext exchanges with an equity market capitalization of more than $30 billion. Brookfield Asset Management is a global asset manager with approximately $200 billion of assets under management across private equity, real estate, renewable power and infrastructure asset classes.

Brookfield Asset Management has a long history in the mining sector which includes investments and operating experience in Noranda Inc., Falconbridge Limited, Westmin Resources Limited, Northgate Minerals Corporation, Hammerstone Corporation, Grande Cache Coal and Highvale Coal Limited Partnership. See NAP After the Arrangement Brookfield .

RIGHTS OFFERING

Description of the Rights

Each Right entitles the holder thereof to subscribe for 0.1693 New Common Shares, such that a holder may exercise 5.91 Rights to purchase one (1) New Common Share for the Subscription Price prior to the Rights Expiry Time.

A holder of Rights who has exercised in full its Basic Subscription Privilege may subscribe *pro rata* for additional whole New Common Shares, if available, at the Subscription Price. Those additional whole New Common Shares will be allocated from those New Common Shares, if any, available as a result of Rights that are unexercised at the Rights Expiry Time. If not exercised, the Rights shall expire no later than 5:00 p.m. (Toronto time) on the 21st calendar day following the Rights Issuance Date.

No fractional Rights will be issued in connection with the Arrangement.

The Rights Offering

The following is qualified in its entirety by the more detailed disclosure contained under the heading Rights Offering .

Issuer	NAP
Rights Offering	49,495,656 Rights to subscribe for up to 8,379,613 New Common Shares. Pursuant to the Plan of Arrangement, Shareholders of record on the Rights Offering Record Date will receive one (1) Right for each New Common Share held. Each Right will entitle the holder thereof to acquire 0.1693 New Common Shares. NAP intends to file the Registration Statement with the SEC to register the distribution of the New Common Shares underlying the Rights. Each Shareholder of record on the Rights Offering Record Date will receive one (1) Right for each New Common Share held.
Rights Issuance Date	August 20, 2015 assuming an Effective Date of August 6, 2015.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Rights Expiry Date	September 10, 2015 assuming an Effective Date of August 6, 2015.
Rights Expiry Time	5:00 p.m. (Toronto time) on the Rights Expiry Date. Rights not exercised at or before the Rights Expiry Time will be void and have no value.
Subscription Price	$5.97 per New Common Share
Net Proceeds	Approximately $49.6 million, after deduction of the estimated cash expenses of approximately $0.4 million.
Basic Subscription Privilege	Each Right will entitle the holder thereof to purchase 0.1693 New Common Shares such that a holder may exercise 5.91 Rights to purchase one (1) New Common Share for the Subscription Price. If not exercised, the Rights shall expire at the Rights Expiry Time. Mailing of the certificates representing the Rights to Shareholders is expected to commence on or about three (3) Business Days after the Rights Offering Record Date.
Additional Subscription Privilege	A holder of Rights who has exercised in full its Basic Subscription Privilege may subscribe *pro rata* for additional whole New Common Shares, if available, at the Subscription Price. Those additional whole New Common Shares will be allocated from those New Common Shares, if any, available as a result of Rights that are unexercised at the Rights Expiry Time. Application for Additional New Common Shares will be received subject to allotment only and the number of Additional New Common Shares, if any, which may be allotted to each applicant will be equal to the lesser of: (i) the number of Additional New Common Shares which that applicant has subscribed for under the Additional Subscription Privilege; and (ii) the product (disregarding fractions) obtained by multiplying the number of Additional New Common Shares by a fraction, the numerator of which is the number of Rights exercised by that applicant under the Basic Subscription Privilege and the denominator of which is the aggregate number of Rights exercised under the Basic Subscription Privilege by holders of Rights that have subscribed for Additional New Common Shares pursuant to the Additional Subscription Privilege. If any holder of Rights has subscribed for fewer Additional New Common Shares than such holder s *pro rata* allotment of Additional New Common Shares, the excess Additional New Common Shares will be allotted in a similar manner among the holders who were allotted fewer Additional New Common Shares than they subscribed for.
Exercise of Rights	For all Shareholders whose New Common Shares are held in registered form, a Rights Certificate representing the total number of Rights to which such Shareholder is entitled as at the Rights Offering Record Date will be mailed a copy of this Circular to each such Shareholder. In order to exercise the Rights represented by the Rights Certificate, such Shareholder must complete and deliver the Rights Certificate in accordance with the instructions set out under Rights Offering - How

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

	to Complete the Rights Certificate . For New Common Shares held through a CDS Participant or DTC Participant in the book-based system administered by CDS or DTC, as applicable, a subscriber may subscribe for New Common Shares by instructing the CDS Participant or DTC Participant holding the subscriber s Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each New Common Share subscribed for in accordance with the terms of the Rights Offering to such CDS Participant or DTC Participant, as applicable. See Rights Offering .
Holders in Ineligible Jurisdiction	The Rights Offering is made only in Eligible Jurisdictions. No subscription under the Basic Subscription Privilege nor under the Additional Subscription Privilege will be accepted from any person, or such person s agent, who appears to be, or who the Corporation has reason to believe is, an Ineligible Holder, except that the Corporation may accept subscriptions in certain circumstances from persons in such jurisdictions if the Corporation determines that such offering to and subscription by such person or agent is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such person or agent is resident (each an **Approved Ineligible Holder**). No Rights Certificate will be mailed to Ineligible Holders and Ineligible Holders will, except for Approved Ineligible Holders, not be permitted to exercise their Rights. Holders of New Common Shares who have not received Rights Certificates but are resident in an Eligible Jurisdiction or wish to be recognized as an Approved Ineligible Holder should contact the Rights Agent at the earliest possible time. Rights of Ineligible Holders will be held by the Rights Agent until 5:00 p.m. (Toronto time) on September 1, 2015 in order to provide the beneficial holders outside the Eligible Jurisdictions the opportunity to claim their Rights Certificate by satisfying the Corporation that the exercise of their Rights will not be in violation of the laws of the applicable Ineligible Jurisdiction. After such time, the Rights Agent will attempt to sell the Rights of such registered Ineligible Holders on such date or dates and at such price or prices as the Rights Agent determines in its sole discretion. Ineligible Holders whose New Common Shares are held through a CDS Participant or DTC Participant who wish to be recognized as Approved Ineligible Holders should contact their CDS Participant or DTC Participant, as applicable, at the earliest possible time. CDS participant(s) or DTC participant(s), prior to the Rights Expiry Date, as agent for and on behalf of the Ineligible Holders, may attempt to sell the Rights issued to such Ineligible Holders at the price or prices that they determine.
Backstop	Brookfield has entered into the Backstop Agreement pursuant to which Brookfield has, subject to certain terms and conditions, agreed to purchase all of the New Common Shares which remain unsubscribed for by the holders of the Rights at the expiry of the Rights Offering under the Basic Subscription Privilege and the Additional Subscription Privilege. The Consenting Debentureholder has agreed to support the Backstop

Commitment by purchasing 10% of such unsubscribed New Common Shares.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

	In consideration for the Backstop Commitment, on the Closing Date the Corporation will issue 226,131 New Common Shares to Brookfield and 25,126 New Common Shares to the Consenting Debentureholder with an estimated aggregate value of $1.5 million.
Use of Proceeds	The gross proceeds of the Rights Offering (including, if applicable, the purchase of the Backstopped Shares by Brookfield and the Consenting Debentureholder) will be approximately $50 million. The net proceeds of the Rights Offering will be $49.6 million after paying certain fees and expenses relating to the Rights Offering. The net proceeds will be used by NAP to fund repayment of any amounts owing under the Brookfield Bridge Loan and the ongoing operations and expansion at the LDI Mine. The Brookfield Bridge Loan was used to provide temporary working capital support required by the Corporation as a result of the suspension of milling operations. Fees and expenses reducing the gross proceeds of the Rights Offering relate to financial advisory fees, and legal, accounting and regulatory filing fees.
Listing and Trading	Subject to Shareholders approving the Shareholders Arrangement Resolution, the TSX has conditionally approved the: (i) listing of the Common Shares issuable to the Debentureholders and Brookfield and holders of RSUs pursuant to the Arrangement; (ii) consolidation of the Common Shares then issued and outstanding; and (iii) listing of the Rights and the New Common Shares issuable upon the exercise of the Rights, including the Backstopped Shares and the Backstop Fee Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX.
Resale Restrictions	The Rights being issued hereunder pursuant to the Rights Offering and the New Common Shares issuable upon exercise of the Rights will be exempt from the prospectus and registration requirements under Canadian and U.S. securities legislation. For a discussion on when the Rights and the underlying New Common Shares will become freely tradable in the Eligible Jurisdictions, see Certain Regulatory Matters .
Risk Factors	An investment in New Common Shares is subject to a number of risk factors, which prospective investors should consider before exercising their Rights offered under the Rights Offering. See Risk Factors Risks Relating to the Rights Offering .

INCOME TAX CONSIDERATIONS

Certain Canadian Income Tax Considerations

For a detailed description of the Canadian federal income tax consequences resulting from the Arrangement, please refer to Income Tax Considerations Certain Canadian Federal Income Tax Considerations .

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Certain United States Income Tax Considerations

For a detailed description of the United States federal income tax consequences resulting from the Arrangement, please refer to Income Tax Considerations Certain United States Federal Income Tax Considerations .

RISK FACTORS

Securityholders should carefully consider the risk factors concerning implementation and non-implementation, respectively, of the Arrangement and the business of NAP described under Risk Factors .

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

GENERAL INFORMATION

General

This Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of NAP. No person has been authorized to give any information or to make any representations in connection with the Arrangement other than those contained in this Circular and, if given or made, any such other information or representation should be considered as not having been authorized.

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

This Circular describes the proposed Arrangement. The Arrangement will be considered by the Shareholders and the Debentureholders at their respective Meetings.

Unless otherwise indicated, the information in this Circular is dated as of June 30, 2015.

Meetings

The Debentureholders Meeting is scheduled to be held on July 30, 2015 at Stikeman Elliott LLP, 53rd Floor, Commerce Court West, Suite 5300, 199 Bay Street, Toronto, Ontario at 10:00 a.m. (Toronto time) (unless adjourned or postponed) and the Shareholders Meeting is scheduled to be held on July 30, 2015 at Stikeman Elliott LLP, 53rd Floor, Commerce Court West, Suite 5300, 199 Bay Street, Toronto, Ontario at 10:30 a.m. (Toronto time) (unless adjourned or postponed) as set forth in the Notices of Meetings.

Solicitation of Proxies

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

It is expected that the solicitation will be made primarily by mail but proxies may also be solicited by telephone, or in person by directors, officers or employees of NAP without special compensation or by NAP s proxy solicitation firm, D.F. King Co. D.F. King will receive a fee not to exceed $40,000 for its services and will be reimbursed for its reasonable out-of-pocket expenses. All costs of the solicitation will be borne by the Corporation.

NAP has requested brokers and nominees who hold Common Shares or Debentures in their names to furnish the Circular and accompanying materials to the beneficial holders of the Common Shares and Debentures and to request authority to deliver a proxy.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Whether or not Debentureholders are able to be present at the Debentureholders Meeting, you are requested to vote following the instructions provided on the appropriate voting instruction card or proxy using one of the available methods. In order to be effective, proxies must be received by Computershare Investor Services Inc. prior to 10:00 a.m. (Toronto time) on July 28, 2015 (or, in the event that the Debentureholders Meeting is adjourned or postponed, 48 hours prior to the time of the reconvened Debentureholders Meeting (excluding Saturdays, Sundays and holidays) at the following address:

DEBENTUREHOLDER PROXIES

By Hand, by Courier or by Registered Mail:

Computershare Investor Services Inc.

8th Floor, 100 University Avenue

Toronto, Ontario M5J 2Y1

Whether or not Shareholders are able to be present at the Shareholders Meeting, you are requested to vote following the instructions provided on the appropriate voting instruction card or proxy using one of the available methods. In order to be effective, proxies must be received by Computershare Investor Services Inc. prior to 10:30 a.m. (Toronto time) on July 28, 2015 (or, in the event that the Shareholders Meeting is adjourned or postponed, 48 hours prior to the time of the reconvened Shareholders Meeting (excluding Saturdays, Sundays and holidays) at the following address:

SHAREHOLDER PROXIES

By Hand, by Courier or by Registered Mail:

Computershare Investor Services Inc.

8th Floor, 100 University Avenue

Toronto, Ontario M5J 2Y1

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

Notice-and-Access

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

Entitlement to Vote and Attend

Those persons who are Registered Debentureholders on the Debentureholder Voting Record Date are entitled to attend and vote at the Debentureholders Meeting. Debentureholders will be entitled to one (1) vote for each $1,000 principal amount of Debentures held on the Debentureholder Voting Record Date.

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

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Revocation of Proxies

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

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

Voting of Proxies

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

To be effective, all forms of proxy must be deposited with Computershare Investor Services Inc. prior to (i) 10:00 a.m. (Toronto time) on July 28, 2015 in respect of the Debentureholders Meeting (or, in the event that the Debentureholders Meeting is adjourned or postponed, 48 hours prior to the time of the reconvened Debentureholders Meeting (excluding Saturdays, Sundays and holidays), or (ii) 10:30 a.m. (Toronto time) on July 28, 2015 in respect of the Shareholders Meeting (or, in the event that the Shareholders Meeting is adjourned or postponed, 48 hours prior to the time of the reconvened Shareholders Meeting (excluding Saturdays, Sundays and holidays). Late proxies may be accepted or rejected by the Chairman of the Meetings at his or her discretion and the Chairman of the Meetings is under no obligation to accept or reject any particular late proxy. The Chairman of the Meetings may waive or extend the proxy cut-off without notice.

Non-Registered Holders

Only registered holders of Debentures on the Debentureholder Voting Record Date and registered holders of Common Shares on the Shareholder Voting Record Date, or the persons they appoint as their proxies, are permitted to attend and vote at the Debentureholders Meeting and Shareholders Meeting, respectively. However, in many cases, Common Shares and Debentures beneficially owned by a holder (a **Non-Registered Holder**) are registered either:

in the name of an intermediary that the Non-Registered Holder deals with in respect of the Common Shares or Debentures, as applicable; or

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Table of Contents

in the name of a depository such as CDS or DTC.

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

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

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

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

or

B. Form of Proxy. Less frequently, a Non-Registered Holder will receive, as part of the Meeting Materials, a form of proxy that has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of Common Shares or Debentures, as applicable, beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. If the Non-Registered Holder does not wish to attend and vote at the meeting in person (or have another person attend and vote on the Non-Registered Holder s behalf), the Non-Registered Holder must complete the form of proxy and deposit it with the Transfer Agent in accordance with the directions on the proxy. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Non-Registered Holder s behalf), the Non-Registered Holder must strike out the names of the persons named in the proxy and insert the Non-Registered Holder s (or such other person s) name in the blank space provided.

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

Exercise of Discretion by Proxies

The Common Shares and Debentures represented by the enclosed form of proxy will be voted or withheld from voting on any motion, by ballot or otherwise, in accordance with any indicated

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Table of Contents

instructions. **In the absence of such direction, such Common Shares and Debentures will be voted FOR the resolutions referred to in the form of proxy.**

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

Quorum and Voting Requirements

Debentureholders Meeting

On June 30, 2015, the aggregate principal amount of the Debentures outstanding was $43,251,000.

Pursuant to the Interim Order, each Debenture carries one (1) vote for each $1,000 principal amount of such Debenture held as of the Debentureholder Voting Record Date.

The Court has set the quorum for the Debentureholders Meeting as the presence, in person or by proxy, of one (1) or more persons representing at least 50% in principal amount of the outstanding Debentures.

The Debentureholders Arrangement Resolution must be approved by the affirmative vote of at least 66⅔% of the votes cast by Debentureholders present in person or by proxy at the Debentureholders Meeting and entitled to vote on the Debentureholders Arrangement Resolution.

As of the date hereof, a Debentureholder representing approximately 54% of the aggregate principal amount of Debentures has entered into a support agreement pursuant to which it has agreed, subject to the terms and conditions thereof, to vote all of its Debentures in favour of the Arrangement Resolution at the Debentureholders Meeting. See Support Agreement .

Shareholders Meeting

On June 30, 2015, 393,690,541 Common Shares were outstanding, each carrying the right to one (1) vote.

As of the Shareholder Voting Record Date, to the knowledge of the directors and officers of the Corporation, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of the Corporation carrying more than 10% of the rights attached to the voting securities of the Corporation.

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

The vote required to pass the Shareholders Arrangement Resolution is the affirmative vote of at least 66⅔% of the votes cast by Shareholders present in person or by proxy at the Shareholders Meeting and entitled to vote on the resolution.

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Table of Contents

The approval of the Shareholders Arrangement Resolution will satisfy the TSX s requirement to obtain the approval of a majority of the votes cast by Shareholders in respect of: (i) the issuance of 19,404,572,359 Common Shares pursuant to the Arrangement (which includes the 2,274,717 Common Shares in (iii)); (ii) material effect on control that the Arrangement will have on the Corporation; (iii) the transfer of 2,274,717 RSUs by the holders thereof to the Corporation in exchange for 2,274,717 Common Shares; and (iv) the issuance of a maximum of 8,630,870 New Common Shares pursuant to the Rights Offering at a price that may not be at a significant discount to the market price of the Common Shares. Brookfield will own approximately 92% of the outstanding New Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering and the Arrangement will result in a change of control of the Corporation.

Interest of Management and Others

Management is unaware of any material interest, direct or indirect, of any informed person (as defined in NI 51-102), any associate or affiliate of any such informed person, or of NAP in any transaction since the beginning of the last completed financial year of NAP or in any proposed transaction or in connection with the Arrangement that has materially affected or will materially affect NAP or any of its affiliates. Except as otherwise described in this Circular, there are no agreements or arrangements between NAP and any director, officer or employee of NAP and its subsidiaries in respect of the Arrangement.

BACKGROUND TO THE ARRANGEMENT

Over the past several years, the Corporation, along with several of its peers in the mining industry, has faced a number of challenges including operating in an environment of constrained availability of capital. In 2010, the Corporation commenced an expansion of the LDI Mine to access the Offset Zone. The expansion plan consisted of sinking a shaft and extending the ramp from the Roby Zone into the Offset Zone.

Mining of the first Offset Zone stope commenced in the fourth quarter of 2012. Capital expenditures in 2012 totaled $145.2 million at LDI, of which $130.4 million was invested in the mine expansion. In late 2012, the Corporation announced that it was exploring divestiture opportunities for its gold division assets and conducting a comprehensive strategic review to improve its capital structure and enhance liquidity.

In March of 2013, the Corporation completed the sale of its wholly-owned subsidiary NAP Quebec resulting in the disposition of its gold division assets for gross proceeds of $18 million in cash, 1.5 million common shares of the purchaser and $1.8 million of receivable inventory amounts. In June of 2013 the Corporation entered into a US$130 million debt financing with Brookfield to fund the Corporation s ongoing expansion of the LDI mine.

In late 2013, the Corporation completed Phase I of the mine expansion including construction and commissioning of the shaft and the underground ore handling system. Capital expenditures in 2013 totaled $109.5 million with $91.8 million spent on the LDI Mine expansion. In December of 2013 an additional US$21 million was received from Brookfield to support working capital needs and continue funding operational and capital expenditures at the LDI Mine. As a result, the Corporation s debt was increased to US$169.7 million principal outstanding under the loan.

In January and February of 2014, the Corporation completed the first tranche of a public offering of convertible unsecured subordinated debentures and warrants. In April of 2014 the Corporation completed the second tranche of the public offering of convertible debentures and warrants. The

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Table of Contents

proceeds were used for general corporate purposes including upgrades to the ore handling system. The Corporation gradually ramped-up production utilizing the new shaft. The Corporation invested $23.8 million from the proceeds of the offerings in capital expenditures and successfully transitioned to underground mining utilizing the new shaft and related infrastructure.

As described above, the mine expansion required significant capital, new infrastructure and did not originally yield the anticipated efficiencies in the timeframe that was expected, which ultimately led to higher costs for the Corporation while the Corporation was completing the construction and seeking to maximize efficiencies at the underground mine. In addition, the Corporation was spending capital to carry out exploration to extend the mine life. In order to improve its financial condition in the longer-term and its financial position, the Corporation determined that it would consider strategic alternatives, including raising capital on both dilutive and/or expensive terms.

In January 2015, the Corporation retained CIBC to act as its financial advisor in connection with a strategic review process to solicit interest in a sale of the Corporation and consider refinancing alternatives. In February 2015, CIBC commenced a targeted sale process to determine market interest in a potential transaction to acquire the Corporation or its assets, or recapitalize the Corporation. The Board also considered various types of transactions that would assist realizing immediate cash flows for minerals extracted in the future. These transactions included streaming transactions, forward sales of extracted minerals, and finding a potential partner with which the Corporation could enter into a joint venture.

In late March 2015, the Corporation became aware of potential violations of certain financial covenants under the BNS Credit Agreement and the Brookfield Existing Loan due to a decline in palladium prices and weakening of the Canadian dollar, and to lower production volumes in March combined with higher expenses. The Corporation began discussions with Brookfield to obtain waivers providing temporary relief with respect to compliance with these covenants and sought amendments to the Brookfield Existing Loan with respect to the covenants. Brookfield agreed to a series of temporary waivers with respect to compliance with the covenants; however, the Corporation was not able to secure amendments with respect to the covenants.

In April 2015, Brookfield proposed a potential recapitalization transaction. CIBC and Stikeman Elliott LLP, the Corporation s outside legal counsel, assisted the Corporation with these discussions and negotiations. On April 15, 2015, the Corporation and Brookfield entered into a binding recapitalization term sheet aimed at significantly reducing the Corporation s debt and enhancing the Corporation s liquidity, which permitted the Corporation to conduct a strategic review process to solicit interest in a sale of the Corporation, as an alternative to the Recapitalization. The Corporation had until June 30, 2015 to obtain a superior proposal. The terms of the Recapitalization were ultimately supported by the lender under the BNS Credit Agreement and a Debentureholder holding approximately 54% of the outstanding principal amount of the Debentures. In connection with the foregoing, Brookfield advanced US$25 million to the Corporation in the form of an interim credit facility on April 15, 2015.

Following the execution of the Term Sheet, CIBC re-launched its sale process on an expedited basis to canvass if any superior proposals existed. CIBC established an accelerated process for identifying potentially-interested parties, soliciting interest and conducting due diligence. CIBC contacted various strategic, financial, off-take and trading houses, and royalty or streaming companies; however, no proposals were received through the sale process. As a result, CIBC concluded that no formal or acceptable superior proposals were likely to be received and in a position to be implemented prior to the June 30th timeline provided for in the Term Sheet.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

In May of 2015, the LDI Mine was addressing water seepage issues, including a relatively small discharge of reclaim water at the LDI Mine. The discharged water was initially contained and pumped back into a water reclaim pond at the LDI Mine. The Corporation instituted a temporary suspension of milling operations at the LDI Mine due to these water balance issues. Additional leakages at some of the existing containment structures were then experienced and were found to have reached a small water body. These issues were exacerbated by the late and rapid onset of spring, accompanied by heavy rains, causing excess water to enter containment areas resulting in an upsetting of the water balance at the LDI Mine. A leak then occurred in a decommissioned tailings pond that was used to store reclaimed water, which was ultimately contained on site. However, due to persistent high water levels in the containment ponds, milling operations at the LDI Mine remained suspended and, after consultation with government ministries, the Corporation received approval to commence a controlled release of water in order to restore the water balance. Prior to the restart of milling operations, the Corporation received a dam safety report from an independent, third-party engineering consulting firm that reconfirmed the integrity of the containment structures at the TMF. The Corporation also successfully restored water balance levels at the LDI Mine to within permitted operating levels. Following consultations with relevant provincial ministries, the Corporation was confirmed to be in full compliance with all necessary requirements to allow for the restart of milling operations. The temporary suspension of milling operations had an adverse impact on the Corporation s short-term liquidity.

The Ontario Ministry of the Environment and Climate Change issued the Director s Order dated June 4, 2015 to the Corporation, Lac des Iles Mines Ltd., the Board and certain officers of the Corporation requiring, among other things, that all necessary measures be taken to prevent the failure or breach of the tailings dams or other structures at the LDI Mine site, and to prevent and minimize any adverse effect as a result of discharging untreated/partially untreated reclaim water into the environment. The independent directors of the Corporation named personally in the Director s Order have appealed this order in their respective personal capacities.

As the strategic review process did not yield any viable alternatives; on June 18, 2015, the Corporation and Brookfield entered into the Recapitalization Agreement and the Backstop Agreement. Also on this date, the Corporation and Brookfield entered into the Brookfield Bridge Loan to secure US$25 million of temporary working capital support, which the Corporation is using to cover the costs incurred due to the suspension of milling operations and to cover the costs incurred to comply with the Director s Order, including those related to the restart of milling operations. Milling operations resumed on June 26, 2015 and the mill is currently running at approximately 8,400 tonnes per day.

On June 30, 2015, the Corporation obtained the Interim Order.

THE ARRANGEMENT

Description of the Arrangement

If the Arrangement Resolutions are approved by Debentureholders and Shareholders and all other conditions precedent to closing are satisfied or waived, the Arrangement will be implemented by way of a court approved plan of arrangement pursuant to Section 192 of the CBCA. Pursuant to the Arrangement, and subject to the specific terms thereof:

(a) the Corporation shall pay all accrued and unpaid interest under the Brookfield Existing Loan in cash to Brookfield;

(b) the Brookfield Existing Loan shall be, and shall be deemed to be, irrevocably, finally and fully settled and extinguished by the issuance by the Corporation to Brookfield of

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Table of Contents

18,214,401,868 Common Shares (representing 92% of the outstanding Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering);

(c) Debentureholders will receive a cash payment in respect of all accrued and unpaid interest on the Debentures up to (but not including) the Effective Date;

(d) the Debentures (representing in aggregate $43,251,000) shall be, and shall be deemed to be, irrevocably, finally and fully settled and extinguished by the issuance by the Corporation to the Debentureholders of 1,187,895,774 Common Shares, with each Debentureholder being entitled to receive its *pro rata* share of such Common Shares in full and final settlement of and in exchange for the Debentures (representing 6% of the outstanding Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering);

(e) RSUs issued pursuant to the RSU Plan issued and outstanding at the Effective Time, whether or not vested, will be transferred to the Corporation without any action on behalf of the respective holders thereof, free and clear of all liens, charges, encumbrances and any other rights of others, and in exchange therefor, the Corporation shall issue to the holder such number of Common Shares as were subject to the RSUs immediately prior to the Effective Time and the RSU Plan will be terminated and the Corporation will have no liabilities or obligations with respect to the RSU Plan;

(f) the Common Shares then issued and outstanding will be consolidated on the basis of one (1) New Common Share for every 400 Common Shares.

(g) the Options will be cancelled for no consideration and the Stock Option Plan will be terminated and the Corporation will not have any liabilities or obligations outstanding with respect to the Stock Option Plan;

(h) the Warrants will be terminated for no consideration;

(i) Newco, a subsidiary of the Corporation created for the sole purpose of effecting the Arrangement, shall assign, transfer and convey all of its right, title and interest of Newco in and to all of its undertaking, property and assets to its sole shareholder and its sole shareholder shall assume all debts, obligations and liabilities of Newco and Newco shall then be dissolved;

(j) on the Rights Issuance Date, holders of New Common Shares will receive, for each New Common Share held following the completion of the Share Consolidation one (1) Right to subscribe for 0.1693 New Common Shares at a Subscription Price of $5.97 per New Common Share (subject to adjustment in certain circumstances);

(k)

on the Rights Expiry Date, the Corporation shall issue New Common Shares to each holder of Rights upon the due exercise of the Rights and receipt of payment therefor; and

(l) if any of the Rights remain unexercised at the Rights Expiry Time, the issuance of the Backstopped Shares to Brookfield and the Consenting Debentureholder upon the exercise of such Rights pursuant to the Backstop Commitment.

If the Arrangement Resolutions are approved, existing Shareholders will own approximately 2% of the outstanding New Common Shares and Debentureholders will own approximately 6% of the

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Table of Contents

outstanding New Common Shares upon completion of the Arrangement (but prior to completion of the Rights Offering). Brookfield will own approximately 92% of the outstanding New Common Shares upon completion of the Arrangement (but prior to completion of the Rights Offering) and the Arrangement will result in a change of control of the Corporation. Other obligations and indebtedness of NAP not described above will not be affected by the Arrangement. Trade debt, obligations to employees generally and under pension plans will all be required to continue to be paid or satisfied by NAP in the ordinary course.

No fractional shares will be issued in connection with the Arrangement. With respect to fractional shares that would otherwise be issuable to a securityholder, the entitlement of such securityholder will be reduced to the next lowest whole number of New Common Shares.

Arrangement Agreement

The Arrangement Agreement contains covenants by each of NAP and Newco to make application to the Court to effect the Arrangement pursuant to the form of Plan of Arrangement attached as Appendix D to this Circular.

Court Approval and Completion of the Arrangement

The Arrangement requires approval by the Court. Prior to the mailing of this Circular, NAP and Newco obtained the Interim Order providing for the calling and holding of the Debentureholders Meeting and the Shareholders Meeting and other procedural matters. A copy of the Interim Order is attached hereto as Appendix E.

Subject to the approval of the Arrangement by the Securityholders, the hearing in respect of the Final Order is scheduled to take place on August 5, 2015 at 10:00 a.m. (Toronto time) at the courthouse, at 330 University Avenue, Toronto, Ontario, Canada. Any Securityholder and holder of RSUs who wishes to appear or be represented and to present evidence or arguments at the hearing must serve and file with the Court a Notice of Appearance as set out in the Originating Application for the Final Order and serve such Notice of Appearance on the solicitors for NAP and satisfy any other requirements of the Court as provided in the Interim Order or otherwise. At the hearing for the Final Order, the Court will consider, among other things, the fairness and reasonableness of the Arrangement and the approval of the Debentureholders Arrangement Resolution by the Debentureholders at the Debentureholders Meeting and the Shareholders Arrangement Resolution by the Shareholders at the Shareholders Meeting.

The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit. Prior to the hearing on the Final Order, the Court will be informed that the Final Order will also constitute the basis for an exemption from registration under the 1933 Act for the 3(a)(10) Securities to be issued in the Arrangement.

Assuming the Final Order is granted and the other conditions to closing contained in the Plan of Arrangement are satisfied or waived, it is anticipated that the following will occur on or about August 6, 2015: (i) Articles of Arrangement will be filed with the Director under the CBCA to give effect to the Arrangement; and (ii) the transactions provided for in the Plan of Arrangement will occur in the order indicated.

The Final Order shall provide that the releases described in Article V of the Plan of Arrangement shall be binding on certain parties as contemplated by the Plan of Arrangement.

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Table of Contents

Subject to the foregoing, it is expected that the Effective Time will occur as soon as practicable after the requisite approvals have been obtained, which is expected to occur on or about August 6, 2015.

Procedures for Share Consolidation

Shareholders Registered Shareholders

A Letter of Transmittal accompanies this Circular. Registered Shareholders must properly complete, execute and return the Letter of Transmittal, together with the certificate(s) representing their Common Shares and any other relevant documents required by the instructions set out in the Letter of Transmittal, to the Depositary at one of the offices specified in the Letter of Transmittal, which documents must actually be received by the Depositary in order to receive the New Common Shares. In the Letter of Transmittal, the Registered Shareholders will have to elect to either receive certificate(s) or a direct registration statement representing the New Common Shares. Except as otherwise provided by the instructions in the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an eligible institution as defined and set out in the Letter of Transmittal that will be sent to Registered Shareholders. If a Letter of Transmittal is executed by a person other than the registered holder of the certificate(s) deposited therewith, the certificate(s) must be endorsed or be accompanied by an appropriate securities transfer power of attorney duly and properly completed by the registered holder, with the signature on the endorsement panel or securities transfer power of attorney guaranteed by the eligible institution. All questions as to form, validity and acceptance of any Common Shares deposited pursuant to the Arrangement will be determined by the Corporation in its sole discretion. Registered Shareholders depositing Common Shares agree that such determination shall be final and binding.

The Corporation reserves the absolute right to reject any and all deposits which the Corporation determines not to be in proper form or which may be unlawful for it to accept under the laws of any jurisdiction. The Corporation reserves the absolute right to waive any defect or irregularity in the deposit of any Common Shares. There shall be no duty or obligation on the Corporation, the Depositary or any other person to give notice of any defect or irregularity in any deposit of Common Shares and no liability shall be incurred by any of them for failure to give such notice. The Corporation reserves the right to permit the procedure for the exchange of shares pursuant to the Arrangement to be completed other than that as set out above. Unless otherwise directed in the Letter of Transmittal, the certificate representing the New Common Shares or the direct registration statement advice/statement representing the New Common Shares, as applicable, to be issued in exchange for the Common Shares will be issued in the name of the registered holder of the shares so deposited. Unless the person who deposits the Common Shares instructs the Depositary to hold the New Common Share certificate for pick-up by checking the appropriate box in the Letter of Transmittal, certificates will be forwarded by first class insured mail to the address supplied in the Letter of Transmittal. If no address is provided, certificates will be forwarded to the address of the person as shown on the applicable register of the Corporation.

Registered Shareholders who do not forward to the Depositary properly completed Letters of Transmittal (together with a certificate or certificates representing their Common Shares and all other required documents) will not receive the certificates or direct registration statement advice/statement, as applicable, representing the New Common Shares which they are otherwise entitled and also will not be recorded on the registers of New Common Shares until proper delivery is made.

Where a certificate representing Common Shares has been destroyed, lost or mislaid, the registered holder of that certificate should immediately complete the Letter of Transmittal as fully as possible and deliver it together with a letter describing the loss to the Depositary in accordance with instructions in the Letter of Transmittal.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Shareholders Non-Registered Shareholders

Shareholders who hold their interests in Common Shares through CDS or DTC will receive their New Common Shares through the facilities of CDS or DTC, as applicable. Delivery of New Common Shares will be made through the facilities of CDS and DTC to CDS Participants or DTC Participants, as applicable, who in turn will deliver the New Common Shares to the beneficial holders of such New Common Shares pursuant to standing instructions and customary practices.

Debentureholders Non-Registered Debentureholders

CDS is the sole registered holder of the Debentures. Debentureholders who hold their interests in Debentures through CDS will receive their New Common Shares through the facilities of CDS. Delivery of New Common Shares will be made through the facilities of CDS to CDS Participants, who in turn will deliver the New Common Shares to the beneficial holders of such New Common Shares pursuant to standing instructions and customary practices.

General

Any use of the mail to transmit a certificate representing Common Shares and a related Letter of Transmittal is at the risk of the Shareholder. If these documents are mailed, it is recommended that registered mail, with (if applicable) return receipt requested, properly insured, be used. If the Debentureholders Arrangement Resolution and the Shareholders Arrangement Resolution are not adopted at the Meetings by the Debentureholders and the Shareholders, respectively, or if the Arrangement is not otherwise completed, the certificates representing the Common Shares received by the Depositary will be returned to the appropriate Shareholders.

Securityholders whose Common Shares or Debentures are registered in the name of a broker, custodian, nominee or other intermediary should contact that intermediary for instructions and assistance in providing details of registration and delivery of their New Common Shares.

Strict compliance with the requirements set forth above concerning deposit and delivery of securities and related required documents will be necessary.

OPINIONS OF CIBC

At a meeting of the Board held on June 18, 2015, CIBC rendered its oral opinion and, subsequently confirmed in writing on such date, that, as of such date, based upon and subject to the assumptions, limitations and other matters set forth in the CIBC Opinions, in the opinion of CIBC (i) the Debentureholders and the Shareholders would each be in a better financial position, respectively, under the Arrangement than if the Corporation were liquidated, as in each case, the estimated aggregate value of the consideration available to the Debentureholders and the Shareholders, respectively, pursuant to the Arrangement would exceed the estimated value that such Debentureholders and Shareholders would receive in a liquidation, respectively (the **CBCA Opinion**); and (ii) the Arrangement, if implemented, is fair, from a financial point of view, to the Corporation (the **Fairness Opinion**).

The full texts of the CIBC Opinions are attached as Appendix D to this Circular and Securityholders are encouraged to read the CIBC Opinions carefully and in their entirety. The CIBC Opinions describe the scope of the review undertaken by CIBC, matters considered, the assumptions made by CIBC, the limitations and qualifications on the review undertaken in connection with the CIBC Opinions, and the approach to fairness for the purposes of the CIBC Opinions, among other matters. The summary of the CIBC Opinions set forth in this Circular is qualified in its entirety by reference to the full

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Table of Contents

texts of the CIBC Opinions. CIBC has provided its written consent to the inclusion of the CIBC Opinions in this Circular. The CIBC Opinions may not be used, or relied upon, by any person other than the Board.

Assumptions and Limitations

The CIBC Opinions are based on and subject to various assumptions, qualifications and limitations including, without limitation, the following:

(a) CIBC has not been engaged to provide and has not provided: (i) an opinion as to the relative fairness of the Arrangement among and between Shareholders and Debentureholders; (ii) a formal valuation or appraisal of NAP or any of its securities or assets or the securities or assets of NAP s associates or affiliates (nor has CIBC been provided with such valuation); (iii) an opinion concerning the future trading price of any securities of NAP, or of securities of its associates or affiliates following the completion of the Arrangement; (iv) a recommendation to any Debentureholder as to whether or not such Debentures should be held, or sold or to use the voting rights provided in respect of the Arrangement to vote for or against the Arrangement or to participate in the Rights Offering; or (v) a recommendation to any Shareholder as to whether or not the Common Shares should be held or sold or to use the voting rights provided in respect of the Arrangement to vote for or against the Arrangement or to participate or not participate in the Rights Offering; and the CIBC Opinions should not be construed as such.

(b) CIBC has relied upon, and has assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained by CIBC from public sources, or provided to CIBC by the Corporation or its affiliates or advisors or otherwise obtained by CIBC pursuant to its engagement, and the CIBC Opinion is conditional upon such completeness, accuracy and fair presentation.

(c) With respect to the historical financial data, operating and financial forecasts and budgets provided to CIBC concerning the Corporation and relied upon in its financial analyses, CIBC has assumed that they have been reasonably prepared on bases reflecting the most reasonable assumptions, estimates and judgements of management of the Corporation, having regard to the Corporation s business, plans, financial condition and prospects.

(d) CIBC has also assumed that all of the representations and warranties contained in the Recapitalization Agreement are correct as of the date hereof and that the Arrangement will be completed substantially in accordance with its terms and all applicable laws and that the Circular will disclose all material facts relating to the Arrangement and will satisfy all applicable legal requirements.

(e) CIBC expresses no opinion concerning any legal, tax or accounting matters concerning the Arrangement.

(f) The CIBC Opinions are rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date of the CIBC Opinions and the conditions and prospects,

financial and otherwise, of the Corporation as they are reflected in the Information and as they were represented to CIBC in discussions with management of the Corporation and its affiliates and advisors. In its analyses and in connection with the preparation of the CIBC Opinions, CIBC made numerous assumptions with respect to industry performance, general business, markets and

Table of Contents

economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement.

(g) The CIBC Opinions are being provided to the Board of Directors for its exclusive use only in considering the Arrangement and may not be published, disclosed to any other person, relied upon by any other person, or used for any other purpose, without the prior written consent of CIBC. The CIBC Opinions are not intended to be and do not constitute a recommendation to the Board of Directors as to whether they should approve the Recapitalization Agreement nor as a recommendation to any Debentureholder or Shareholder as to how to vote or act at the Meetings or as an opinion concerning the trading price or value of any securities of NAP following the announcement or completion of the Arrangement.

(h) CIBC believes that its financial analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the CIBC Opinions. The preparation of a fairness opinion is complex and is not necessarily susceptible to partial analysis or summary description and any attempt to carry out such could lead to undue emphasis on any particular factor or analysis.

Engagement of CIBC

CIBC will be paid a fee for rendering the CIBC Opinions and will be paid an additional fee that is contingent upon the completion of the Arrangement or any alternative transaction. The Corporation has also agreed to reimburse CIBC for its reasonable out-of-pocket expenses and to indemnify CIBC in respect of certain liabilities that might arise out of its engagement.

CIBC, in the normal course, provides Brookfield Asset Management Inc., an affiliate of Brookfield, and/or its direct and indirect subsidiaries, affiliates and related parties with investment banking and corporate banking services unrelated to the Recapitalization or the Arrangement. In addition, Canadian Imperial Bank of Commerce, an affiliate of CIBC, is, directly or through a wholly owned subsidiary of Canadian Imperial Bank of Commerce, a passive minority investor, along with a number of other parties, in Brookfield Capital Partners Fund II L.P. and Brookfield Capital Partners Fund III L.P., each of which is an affiliate of Brookfield, and which investments are not material to Canadian Imperial Bank of Commerce.

Scope of Review

In preparing the CIBC Opinions, CIBC has relied upon the discussions, documents and materials referred to in the CIBC Opinions.

Approach to Fairness

For the purposes of the Fairness Opinion, CIBC considered that the Arrangement would be fair, from a financial point of view, to NAP if, on a going concern basis, the transaction: (i) provides the Corporation with a more appropriate capital structure, by reducing the total amount of debt outstanding and the amount of debt maturing in the near-term; (ii) reduces the risk that the Corporation s cash flow from operations and available liquidity would be insufficient to provide adequate funds to finance the operating and capital expenditures necessary to execute its operating strategy and service its debt; and (iii) based on these criteria, is better than other known, feasible alternatives.

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Table of Contents

For the purposes of the CBCA Opinion, CIBC considered that the Debentureholders and Shareholders would each be in a better financial position under the Arrangement than if the Corporation were liquidated if the estimated aggregate value of the consideration made available to the Debentureholders and the Shareholders, respectively, exceeds the estimated value such holders would receive if the Corporation were liquidated.

RECOMMENDATION OF THE BOARD

The Board met on several occasions to consider the terms of the proposed Arrangement. It received advice from its financial advisor, CIBC.

The Arrangement is expected to substantially improve the capital structure and financial position of the Corporation by substantially deleveraging its balance sheet and providing it with improved liquidity and improved access to capital. The Board and management of the Corporation believe that the Arrangement will provide the necessary financial flexibility and capital resources to manage the business in the current economic environment and enable the Corporation to continue to pursue its business plan, without having to pursue other alternatives that could include non-consensual proceedings under creditor protection legislation.

The following is a summary of the factors, among others, which the Board reviewed and considered in relation to the Arrangement:

(a) the challenging set of circumstances that the Corporation has been faced with over the past several years;

(b) the challenges faced by the Corporation to meet expected cash requirements of the Corporation, including to service and repay existing debt;

(c) the various alternatives that the Corporation has explored to address its current financial situation, including: (i) a sale of some or all of the Corporation s assets; (ii) additional debt issuances; (iii) various types of transactions including streaming deals, forward sales of extracted minerals and joint ventures; (iv) attempting to amend the terms of the Corporation s existing debt obligations; (v) an equity financing in connection with long-term covenant relief from the Corporation s existing creditors; and (vi) a CCAA restructuring;

(d) the fact that the terms of the Arrangement are the result of arm s length negotiations among management and the Board of the Corporation, with support from their professional advisors, and Brookfield and the Consenting Debentureholder;

(e) the likely consequences of a failure to pursue the Arrangement;

(f) a process to solicit a superior proposal to the Arrangement was conducted but did not present any viable alternatives;

(g) the strategic significance and benefits of the Arrangement, including the reduction of the Corporation s net debt and annual interest costs and the commitment of additional capital required to stabilize the Corporation s operations;

(h) the fact that the Arrangement provides a continuing equity interest in the Corporation for Shareholders and Debentureholders;

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Table of Contents

(i) the input the Corporation has received from CIBC;

(j) the CIBC Opinions;

(k) the funds made available by Brookfield through the interim credit facility and the Brookfield Bridge Loan, together with the estimated proceeds of the Rights Offering, provide the Corporation with the liquidity required to satisfy its short-term and long- term operating expenses, including the costs of complying with the Director s Order and any Amendments;

(l) the Backstop Agreement provides certainty that the Rights Offering will provide additional liquidity to the Corporation;

(m) the Recapitalization will not directly affect any of the Corporation s employees or trade obligations;

(n) the fact that Brookfield, the lender under the BNS Credit Agreement and a holder of approximately 54% of the principal amount of the Debentures are supportive of the Arrangement;

(o) a restructuring pursuant to CCAA would likely result in worse recoveries for all of the Corporation s stakeholders than a consensual restructuring outside of creditor protection proceedings; and

(p) the Recapitalization represents the best going concern solution available to the Corporation.

The foregoing discussion of the information and factors considered by the Board is not intended to be exhaustive, but includes certain of the material factors considered by the Board. In view of the variety of factors considered in connection with its evaluation of the Arrangement, the Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its recommendation. In addition, individual members of the Board may have given differing weights to different factors.

After careful consideration of the above-noted factors and other factors and following consultation with its financial advisor and outside legal counsel, the Board has unanimously determined that the Arrangement is in the best interests of the Corporation and has unanimously determined to recommend to Debentureholders and Shareholders that they **VOTE FOR** the Arrangement Resolution at the Meetings.

RECAPITALIZATION AGREEMENT

On June 18, 2015, the Corporation and Brookfield entered into the Recapitalization Agreement. The following is a description of certain material terms of the Recapitalization Agreement and is qualified in its entirety by reference to the full text of the Recapitalization Agreement which is available on SEDAR under the Corporation s profile at www.sedar.com.

The principal terms of the Recapitalization are set out in the Recapitalization Agreement and will be implemented pursuant to various agreements and related documentation.

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Table of Contents

Pursuant to the Recapitalization Agreement, and subject to the terms and conditions specified therein, Brookfield has covenanted and agreed:

(a) to the terms of, and to implement the transactions contemplated by, the Recapitalization Agreement;

(b) to support the approval of the Arrangement by the Court, on terms consistent with the Recapitalization Agreement, as promptly as practicable;

(c) not to take any action, or omit to take any action, that would delay, challenge, frustrate or hinder the consummation of the Arrangement;

(d) to execute any and all documents and perform (or cause its agents and advisors to perform) any and all commercially reasonable acts required by the Recapitalization Agreement to satisfy its obligations hereunder;

(e) to make the Brookfield Bridge Loan available in accordance with its terms;

(f) except as specifically provided in the Recapitalization Agreement, not to take any action, or omit to take any action, or require any terms in any agreements entered into in connection with the Recapitalization Agreement that would affect or compromise the unsecured creditors in connection with the Recapitalization; and

(g) subject to and at the Effective Time, and provided that the similar releases by the Corporation described in the Recapitalization Agreement are fully effective and enforceable, the Corporation and its present and former subsidiaries and affiliates and their respective present and former shareholders, officers, directors, employees, auditors, financial advisors, legal counsel and agents (collectively, the **Corporation Released Parties**) are released and discharged from any and all demands, claims, costs, expenses, liabilities, causes of action, remedies, debts, accounts, covenants, damages, executions and other recoveries based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the date of implementation of the Arrangement relating to, arising out of or in connection with the Brookfield Existing Loan, the Recapitalization, the Term Sheet, the Recapitalization Proceedings (as defined in the Recapitalization Agreement) and any other steps or proceedings commenced with respect to the Arrangement and the Recapitalization, other than under the Backstop Agreement; provided that the releases in the Recapitalization Agreement will release or discharge any of the Corporation Released Parties from or in respect of their obligations to Brookfield under the Term Sheet, the Recapitalization Agreement and the Backstop Agreement and further provided that nothing in the Recapitalization Agreement will release or discharge a Corporation Released Party if the Corporation Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed gross negligence, fraud or other willful misconduct.

Pursuant to the Recapitalization Agreement, and subject to the terms and conditions specified therein, the Corporation has, among other things, covenanted and agreed:

(a) to the terms of, and to implement the transactions contemplated by, the Recapitalization Agreement;

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Table of Contents

(b) that during the period from the date of Recapitalization Agreement until the earlier of the time at which the Recapitalization is implemented and the time that the Recapitalization Agreement is terminated in accordance with its terms, the Corporation shall, and shall cause its subsidiaries to, operate its business in the ordinary course of business and in compliance with all applicable Laws in all material respects, consistent with past practice, having regard to its financial condition; and

(c) subject to and at the Effective Time, and provided that the similar releases by Brookfield described in the Recapitalization Agreement are fully effective and enforceable, Brookfield and any assignees, together with their respective present and former subsidiaries and affiliates and their respective present and former shareholders, officers, directors, employees, auditors, financial advisors, legal counsel and agents (collectively, the **Brookfield Released Parties**) are released and discharged from any and all demands, claims, costs, expenses, liabilities, causes of action, remedies, debts, accounts, covenants, damages, executions and other recoveries based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the date of implementation of the Arrangement relating to, arising out of or in connection with the Brookfield Existing Loan, the Recapitalization, the Term Sheet, the Recapitalization Proceedings (as defined in the Recapitalization Agreement) and any other steps or proceedings commenced with respect to the Arrangement and the Recapitalization; provided that the releases in the Recapitalization Agreement will not release or discharge any of the Brookfield Released Parties from or in respect of its obligations under the Recapitalization Agreement, in respect of the Brookfield Bridge Loan, or the Backstop Agreement, and further provided that the releases in the Recapitalization Agreement will not release or discharge a Brookfield Released Party if the Brookfield Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed gross negligence, fraud or other wilful misconduct.

The Recapitalization Agreement provides that the Corporation shall pursue the completion of the Arrangement in good faith upon the terms and conditions set forth in the Recapitalization Agreement. Pursuant to the Recapitalization Agreement, the Corporation has covenanted to take all necessary actions to ensure that as of the Effective Date, the Board is comprised of five (5) directors, including three (3) nominated by Brookfield, one (1) nominated by Debentureholders and one (1) independent director (as such term is construed under Applicable Securities Laws). See NAP After the Arrangement Board of Directors .

The Recapitalization shall be subject to the satisfaction of the following conditions prior to or at the Effective Time, each of which is for the benefit of both the Corporation and Brookfield (provided that such conditions shall not be enforceable by the Corporation or Brookfield if any failure to satisfy such conditions results from an action, error or omission by or within the control of the party seeking enforcement and, if not satisfied on or prior to the Effective Time, can only be waived by both the Corporation and Brookfield):

(a) the Interim Order shall have been granted on terms consistent with the Recapitalization Agreement and the Interim Order shall not have been set aside or modified in a manner unacceptable to either party, acting reasonably, on appeal or otherwise;

(b) the Debentureholders Arrangement Resolution shall have been approved at the Debentureholders Meeting;

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

(c) the Shareholders Arrangement Resolution shall have been approved at the Shareholders Meeting;

(d) the Final Order shall have been granted on terms consistent with the Recapitalization Agreement and the Final Order shall not have been set aside or modified in a manner unacceptable to either party, acting reasonably, on appeal or otherwise;

(e) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been taken by any Governmental Entity, in consequence of or in connection with the Recapitalization that restrains, impedes or prohibits (or if granted would reasonably be expected to restrain, impede or inhibit), the Recapitalization or any part thereof or requires or purports to require a variation of the Recapitalization;

(f) all material filings under applicable Laws shall have been made and any material regulatory consents or approvals that are required in connection with the Recapitalization shall have been obtained and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated; and

(g) the listing and posting on the TSX of the New Common Shares and the Rights issuable pursuant to the Recapitalization shall have been approved by the TSX, subject only to reasonable listing conditions.

The obligations of Brookfield under the Recapitalization Agreement are subject to the following additional conditions, each of which must be satisfied prior to or at the Effective time unless waived by Brookfield:

(a) the representations and warranties of the Corporation set forth in the Recapitalization Agreement shall be true and correct at the Effective Time with the same force and effect as if made at and as of such time except as such representations and warranties may be affected by the occurrence of events or transactions required by the Recapitalization Agreement and except that representations and warranties that are given as of a specified date shall be true and correct as of such date except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Change (as defined in the Recapitalization Agreement) (and, for this purpose, any reference to material , Material Adverse Change or any other concept of materiality in such representations and warranties shall be ignored), and the Corporation shall have provided Brookfield with a certificate signed by an officer of the Corporation certifying compliance with this condition as at the Effective Time (collectively, the **Brookfield Representation Condition**);

(b) the Corporation shall have performed any and all of its material obligations under and in accordance with the Recapitalization Agreement;

(c) no Material Adverse Change shall have occurred after the date of the Recapitalization Agreement and prior to the Effective Date;

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Table of Contents

(d) the issuance and distribution of securities pursuant to the Recapitalization shall comply with the prospectus and registration requirements of Applicable Securities Laws of Canada and/or exempt from such prospectus and registration requirements;

(e) (i) all necessary actions shall have been taken with respect to the Recapitalization so that the 3(a)(10) Securities to be issued pursuant to the Recapitalization shall be exempt from the registration requirements of the 1933 Act pursuant to the Section 3(a)(10) Exemption and similar exemptions under all applicable U.S. state securities laws; and (ii) the Final Order will serve as a basis of a claim to a Section 3(a)(10) Exemption regarding the distribution of the 3(a)(10) Securities to be issued pursuant to the Recapitalization; and

(f) on the Effective Date, Brookfield shall have been reimbursed its reasonable fees and expenses in accordance with the Recapitalization Agreement; provided Brookfield advises the Corporation of such fees and expenses at least five (5) Business Days prior to the Effective Date.

The obligations of the Corporation under the Recapitalization Agreement are subject to the following additional conditions, each of which must be satisfied prior to or at the Effective time unless waived by the Corporation:

(a) the representations and warranties of Brookfield set forth in the Recapitalization Agreement shall be true and correct at the Effective Time with the same force and effect as if made at and as of such time except as such representations and warranties may be affected by the occurrence of events or transactions required by the Recapitalization Agreement and except that representations and warranties that are given as of a specified date shall be true and correct as of such date and Brookfield shall have provided the Corporation with a certificate signed by an officer of Brookfield certifying compliance with this condition as at the Effective Time (collectively, the **Corporation Representation Condition**); and

(b) Brookfield shall have performed any and all of its material obligations under and in accordance with the Recapitalization Agreement.

The Recapitalization Agreement may be terminated by Brookfield upon the occurrence of any of the following:

(a) the Recapitalization has not been completed on or before the Outside Date;

(b) breach by the Corporation of any representation or warranty set forth in the Recapitalization Agreement which breach would cause the Brookfield Representation Condition not to be satisfied or failure by the Corporation to comply in all material respects with, or default by the Corporation in the performance or observance of, any term, condition, covenant or agreement set forth in the Recapitalization Agreement, which breach, failure or default is not cured within five (5) Business Days after the receipt by the Corporation of written notice of such breach, failure or default;

(c) the issuance of any final decision, order or decree by a Governmental Entity, the making of an application to any Governmental Entity, or commencement of an action or investigation by any Governmental Entity, in

consequence of or in connection with the Recapitalization, in each case which restrains or impedes in any material respect or

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Table of Contents

prohibits the Recapitalization or any part thereof or requires or purports to require a variation of the Recapitalization;

(d) if the Recapitalization Proceedings (as defined in the Recapitalization Agreement) are dismissed, terminated, stayed or the Corporation, whether voluntarily or involuntarily, commences or undergoes a receivership, liquidation, bankruptcy, debt enforcement proceeding or a proceeding under the CCAA, the *Bankruptcy and Insolvency Act* (Canada) or *Winding-Up and Restructuring Act* (Canada), unless such event occurs with the prior written consent of Brookfield or; or

(e) the appointment of a receiver, interim receiver, receiver and manager, trustee in bankruptcy, liquidator or administrator in respect of the Corporation, unless such event occurs with the prior written consent of Brookfield.

The Recapitalization Agreement may be terminated by the Corporation upon the occurrence of any of the following:

(a) breach by Brookfield of any representation or warranty set forth herein which breach would cause the Corporation Representation Condition not to be satisfied or failure by Brookfield to comply in all material respects with, or default by Brookfield in the performance or observance of, any term, condition, covenant or agreement set forth in the Recapitalization Agreement, which breach, failure or default is not cured within five (5) Business Days after the receipt of written notice of such breach, failure or default;

(b) the issuance of any final decision, order or decree by a Governmental Entity, the making of an application to any Governmental Entity, or commencement of an action or investigation by any Governmental Entity, in consequence of or in connection with the Recapitalization, in each case which restrains or impedes in any material respect or prohibits the Recapitalization or any part thereof or requires or purports to require a variation of the Recapitalization; or

(c) if all obligations under the Brookfield Existing Loan and the Brookfield Bridge Loan have been repaid by the Corporation in full, in cash, in accordance with the terms of the Brookfield Existing Loan and the Brookfield Bridge Loan, as applicable.

If the Arrangement Resolutions are not approved or other approvals to implement the Arrangement are not obtained by August 17, 2015, the Corporation shall immediately (but no later than three (3) Business Days after such date) commence an application for an initial order under the CCAA in form and substance satisfactory to Brookfield.

SUPPORT AGREEMENT

The following is a description of certain material terms of the Support Agreement and is qualified in its entirety by reference to the full text of the Support Agreement which is available on SEDAR under the Corporation s profile at www.sedar.com.

On April 15, 2015, the Consenting Debentureholder holding approximately $23,328,000 or 54% of the principal amount of Debentures, entered into the Support Agreement thereby agreeing to support the Arrangement and vote in favour of the Arrangement at the Debentureholders Meeting. Pursuant to the Support Agreement, the Consenting

Debentureholder has agreed to vote (or cause to be voted) all of its

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Table of Contents

Debentures and any Debentures acquired after the execution of the Support Agreement, in favour of the Arrangement.

The Support Agreement shall continue in force until the earlier of (i) the completion of the Recapitalization; or (ii) the date on which the Support Agreement is terminated by mutual agreement between Brookfield, the Consenting Debentureholder and the Corporation. The Consenting Debentureholder shall have the right to terminate the Support Agreement upon written notice to Brookfield and the Corporation if (A) Brookfield or the Corporation announces or proceeds with any transaction that does not comply with the terms and conditions set forth on the Term Sheet, (B) the commencement of any bankruptcy, insolvency or receivership proceedings in respect of the Corporation, or (C) the Recapitalization has not been completed by September 15, 2015.

The Consenting Debentureholder has agreed to support the Backstop Commitment by exercising its Rights and purchasing from the Corporation, at the Subscription Price, 10% of all New Common Shares that are not otherwise subscribed for and taken up in the Rights Offering (after the exercise of the Basic Subscription Privilege and the Additional Subscription Privilege) and will receive a fee equal to 10% of the Backstop Fee Shares. Brookfield has also agreed to transfer to the Consenting Debentureholder for no additional consideration, and the Consenting Debentureholder will exercise, a portion of Brookfield s Rights so that the aggregate number of Rights received by the Consenting Debentureholder, including Rights received by the Consenting Debentureholder as a holder of New Common Shares, equals 8% of the Rights issued by the Corporation.

RIGHTS OFFERING

This Circular qualifies the distribution of 49,495,656 Rights to subscribe for and purchase from the Corporation an aggregate of up to 8,379,613 New Common Shares at a price per New Common Share equal to $5.97. This Circular also qualifies the New Common Shares issuable upon exercise of the Rights and the Registration Statement registers the distribution in the United States of the New Common Shares issuable upon exercise of the Rights (other than the Backstopped Shares).

An investment in the New Common Shares is highly speculative and involves a high degree of risk. See Risk Factors Risks Relating to the Rights Offering for a discussion of various risk factors that should be considered by prospective purchasers of the New Common Shares.

General Matters

In evaluating whether or not to exercise the Rights offered pursuant to the Rights Offering, a prospective investor should rely only on the information contained in, or incorporated by reference in, this Circular. No person has been authorized to give any information other than that contained in this Circular, or to make any representations in connection with the Rights Offering, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation. The information contained in this Circular is accurate only as of the date of this Circular, regardless of the time of delivery of this Circular or any sale of the New Common Shares or Backstop Shares. The Corporation s business, financial condition, operating results and prospects of the Corporation may have changed since the date of this Circular.

The Corporation

The Corporation is the successor to Madeleine Mines Ltd., a company incorporated under the *Mining Companies Act* (Québec) by letters patent in 1968. In January 1992, Madeleine Mines Ltd. was amalgamated with 2945-2521 Québec Inc. and the amalgamated company was wound up into the

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Table of Contents

federally incorporated parent company, 2750538 Canada Inc. This entity changed its name to Madeleine Mines Ltd. and, in June 1993, the name was changed to North American Palladium Ltd. The Corporation continues to exist under the CBCA.

The Corporation has one (1) material wholly owned subsidiary, Lac des Iles Mines Ltd. The following chart describes the Corporation s structure as at June 30, 2015. The Corporation s head and registered office is located at 200 Bay Street, Suite 2350, Royal Bank Plaza, South Tower, Toronto, Ontario, M5J 2J2, Canada, Telephone: (416) 360-7590, Facsimile: (416) 360-7709.

Description of the Business

The Corporation is an established precious metals producer that has been operating its flagship LDI Mine in Ontario, Canada since 1993. Lac des Iles Mines Ltd. is one of two primary palladium producers in the world. Located approximately 85 kilometres northwest of Thunder Bay, Ontario, the LDI Mine property consists of an open pit, an underground mine (accessible by ramp and by shaft) and a mill with a nominal capacity of approximately 15,000 tonnes per day. The primary deposits on the property are the Roby Zone and the Offset Zone, both disseminated magmatic nickel copper-PGM deposits. The Corporation has also identified other mineralized areas close to or on the LDI Mine property.

Outside of the LDI Mine property, the Corporation holds or is earning a 100% interest in several PGE greenfields properties covering 32,056 hectares (79,212 acres). The Corporation also retains a 50% interest in the Shebandowan nickel property covering approximately 7,996 hectares (19,758 acres).

The AIF of the Corporation for the financial year ended December 31, 2014 contains additional information on the business and properties of the Corporation. See Documents Incorporated by Reference .

Recent Developments

On April 15, 2015, the Corporation announced it entered into an agreement with Brookfield aimed at significantly reducing the Corporation s debt and enhancing the Corporation s liquidity. The Corporation retained CIBC to act as its financial advisor in connection with the Recapitalization and to conduct a strategic review process to solicit interest in a sale of the Corporation. The Corporation had until June 30, 2015 to obtain a superior proposal to the Recapitalization, with closing to occur within a

Table of Contents

specified timeframe thereafter. The Corporation obtained covenant relief from its senior secured lenders in respect of certain financial and other covenants until August 15, 2015. Although the Corporation produced approximately 45,600 payable ounces of palladium in the first quarter of 2015, covenant relief was required as a result of a decline in palladium prices and weakening of the Canadian dollar, and lower production volumes in March combined with higher expenses, which impacted the minimum shareholders equity and leverage ratio covenants.

On April 16, 2015, trading in the Common Shares on the NYSE MKT was suspended as a result of low trading prices.

On April 20, 2015, the Corporation filed the LDI Report, which supports an extension to the life of mine to 2029.

On May 11, 2015, the Corporation announced that it was addressing water seepage, including a relatively small discharge of reclaim water that was contained and pumped back into the water reclaim pond. The Corporation also announced that milling operations at the LDI Mine were suspended to effect repairs to the liner in a portion of the TMF which appeared to have been damaged by ice. As part of its plan to address tailings requirements for the future, the Corporation began construction of a raise of the east TMF. The full long-term design is expected to be implemented in stages.

On May 28, 2015, the Corporation announced that problems had been experienced with leakages at some of the existing containment structures which were currently under repair. These issues were exacerbated by the late and rapid onset of spring, accompanied by heavy rains, causing excess water to enter containment areas resulting in an upset of the water balance. In addition, the Corporation experienced a leak in a decommissioned tailings pond that was used to store reclaimed water. An amount of water leaked from the pond and was contained on site and monitored closely.

On June 3, 2015, the Corporation announced that due to persistent water balance issues, milling operations at the LDI Mine remained suspended and after consultation with the relevant government ministries, the Corporation received approval to undertake a controlled release of water into the environment in order to restore the water balance. Underground operations continued during the temporary suspension of milling operations and a stockpile of ore accumulated, ready for processing.

The Director s Order dated June 4, 2015 was issued to the Corporation, Lac des Iles Mines Ltd., Robert Joseph Quinn, William James Weymark, John W. Jentz, Alfred L. Hills, Andre J. Douchane, Gregory J. Van Staveren, Phillippus F. du Toit, Jim Gallagher and Dave Langille relating to the LDI Mine. The Director s Order requires, among other things, that all necessary measures be taken to prevent the failure or breach of the tailings dams or other structures at the LDI Mine site, and to prevent and minimize any adverse effect as a result of discharging untreated/partially treated reclaim water into the environment. The independent directors of the Corporation named personally in the Director s Order have appealed this order in their respective personal capacities.

On June 18, 2015, the Corporation announced that it had concluded its strategic review process during which no superior proposal was received and it had entered into the Brookfield Bridge Loan and Recapitalization Agreement.

On June 26, 2015, the Corporation received permission to resume milling operations at the LDI Mine and the mill was successfully restarted and the mill is currently running at approximately 8,400 tonnes per day.

66

Table of Contents

Issue of the Rights

NAP intends to distribute the Rights to Shareholders of record on the Rights Offering Record Date. An aggregate of 49,495,656 Rights will be distributed to Shareholders pursuant to the Rights Offering. The Rights will entitle the holders thereof to acquire up to 8,379,613 New Common Shares at the Subscription Price for gross proceeds of $50 million. Brookfield and the Consenting Debentureholder have agreed to fully backstop the Rights Offering pursuant to the Backstop Commitment.

Each Shareholder of record on the Rights Offering Record Date (each a **Holder**) will receive one (1) Right for each New Common Share held. The Rights are transferable by the holders thereof. See Rights Offering - Sale or Transfer of Rights .

The Rights will be represented by the Rights Certificates that will be issued in registered form. For Shareholders who hold their New Common Shares in registered form, a Rights Certificate evidencing the number of Rights to which a Holder is entitled and the number of New Common Shares which may be obtained on exercise of those Rights will be mailed to each such Shareholder of record in an Eligible Jurisdiction as of the Rights Offering Record Date. See Rights Offering - Rights Certificate New Common Shares Held in Registered Form .

Shareholders that hold their New Common Shares through a CDS Participant or DTC Participant, as applicable, in the book-based system administered by CDS or DTC, as applicable, will not receive physical certificates evidencing their ownership of Rights. On the Rights Offering Record Date, a global certificate representing such Rights will be issued in registered form to, and deposited with, CDS or DTC, as applicable. The Corporation expects that each beneficial shareholder will receive a confirmation of the number of Rights issued to it from its CDS Participant or DTC Participant, as applicable. CDS and DTC will be responsible for establishing and maintaining book-entry accounts for CDS Participants and DTC Participants, respectively, holding Rights. See Rights Offering - Rights Certificate Common Shares Held Through CDS or DTC .

Except as otherwise described herein, only Holders who hold their New Common Shares in registered form and who are resident in the Eligible Jurisdictions are entitled to receive Rights Certificates. The Rights and the New Common Shares issuable on the exercise of the Rights are not qualified under the securities laws of any jurisdiction other than the Eligible Jurisdictions and, except as permitted herein, Rights may not be exercised by or on behalf of a Holder resident in an Ineligible Jurisdiction. Instead, such Ineligible Holders will be sent a letter advising them that their Rights Certificates will be issued to and held on their behalf by the Rights Agent as agent for their benefit and sold for their account by the Rights Agent. See Rights Offering - Ineligible Holders .

Subscription Basis

Every 5.91 Rights entitle the Holder to subscribe for one (1) New Common Share at the Subscription Price, all as described below under Rights Offering - Basic Subscription Privilege . Fractional New Common Shares will not be issued upon the exercise of Rights. Where the exercise of Rights would appear to entitle a Holder of Rights to receive fractional New Common Shares, the Holder s entitlement will be reduced to the next lowest whole number of New Common Shares.

Rights Issuance Date and Expiration Time

The Rights will be eligible for exercise on and following the Rights Issuance Date and will expire at 5:00 p.m. (Toronto time) on the Rights Expiry Date. Holders who exercise their Rights pursuant to the terms and conditions contained herein will not become a Shareholder of record until the Closing Date.

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Table of Contents

RIGHTS NOT EXERCISED BY THE RIGHTS EXPIRY TIME WILL BE VOID AND OF NO VALUE.

Rights Agent

The Rights Agent has been appointed by the Corporation: (i) to receive subscriptions and payments from the Holders of Rights Certificates, CDS and DTC for the New Common Shares and Additional New Common Shares (as hereinafter defined) subscribed for under the Basic Subscription Privilege and under the Additional Subscription Privilege, respectively; and (ii) to perform the services relating to the exercise of the Rights. The Corporation will pay for all such services of the Rights Agent. Subscriptions and payments under the Rights Offering should be sent to the Rights Agent (by hand, courier or registered mail) at the following offices (the **Subscription Office**):

By Registered Mail:	**By Hand or Courier**
Computershare Trust Company of Canada	Computershare Trust Company of Canada
P.O. Box 7021	8th Floor
31 Adelaide St. E.	100 University Avenue
Toronto, Ontario	Toronto, Ontario
M5C 3H2	M5J 2Y1
Attention: Corporate Actions	Attention: Corporate Actions

Enquiries relating to the Rights Offering should be addressed to the Rights Agent by telephone at 1-800-564-6253.

Basic Subscription Privilege

Each Shareholder at the close of business on the Rights Offering Record Date is entitled to receive one (1) Right for each New Common Share held. For each 5.91 Rights held, the Holder (other than an Ineligible Holder) is entitled to acquire one (1) New Common Share under the Basic Subscription Privilege at the Subscription Price per New Common Share by subscribing and making payment in the manner described herein at or before the Rights Expiry Time. A Holder of Rights that subscribed for some, but not all, of the New Common Shares pursuant to the Basic Subscription Privilege will be deemed to have elected to waive the unexercised balance of such Rights and such unexercised balance of Rights will be void and of no value unless the Rights Agent is otherwise specifically advised by such Holder at the time the Rights Certificate is surrendered that the Rights are to be transferred to a third party or are to be retained by the Holder. Holders of Rights who exercise in full the Basic Subscription Privilege for their Rights are also entitled to subscribe *pro rata* for Additional New Common Shares, if any, that are not otherwise subscribed for under the Rights Offering on a *pro rata* basis, prior to the Rights Expiry Time pursuant to the Additional Subscription Privilege. See Rights Offering - Additional Subscription Privilege . Fractional New Common Shares will not be issued upon the exercise of Rights. An entitlement to a fractional New Common Share will be rounded down to the next whole New Common Share. CDS Participants or DTC Participants that hold Rights for more than one (1) beneficial holder may, upon providing evidence satisfactory to the Corporation, exercise Rights on behalf of its accounts on the same basis as if the beneficial owners of New Common Shares were Holders of record on the Rights Offering Record Date.

For New Common Shares held in registered form, in order to exercise the Rights represented by a Rights Certificate, the Holder of Rights must complete and deliver the Rights Certificate to the Rights Agent in accordance with the terms of the Rights Offering in the manner and upon the terms set out herein and pay the aggregate Subscription Price. All exercises of Rights are irrevocable once submitted.

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Table of Contents

For New Common Shares held through a CDS Participant or DTC Participant, a Holder may subscribe for New Common Shares by instructing the CDS Participant or DTC Participant, as applicable, holding the subscriber s Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each New Common Share subscribed for in accordance with the terms of the Rights Offering to such CDS Participant or DTC Participant, as applicable. Subscriptions for New Common Shares made in connection with the Rights Offering through a CDS Participant or DTC Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for New Common Shares once submitted.

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of the Rights Agent. In the case of subscription through a CDS Participant or DTC Participant, the Subscription Price is payable by certified cheque, bank draft or money order drawn to the order of such CDS Participant or DTC Participant, as applicable, by direct debit from the subscriber s brokerage account or by electronic funds transfer or other similar payment mechanism. The entire Subscription Price for New Common Shares subscribed for must be paid at the time of subscription and must be received by the Rights Agent at the Subscription Office prior to the Rights Expiry Time. Accordingly, a subscriber subscribing through a CDS Participant or DTC Participant must deliver its payment and instructions sufficiently in advance of the Rights Expiry Date to allow the CDS Participant or DTC Participant, as applicable, to properly exercise the Rights on its behalf.

Payment of the Subscription Price will constitute a representation to the Corporation and, if applicable, to the CDS Participant or DTC Participant, as applicable, by the subscriber (including by its agents) that: (i) either the subscriber is not a citizen or resident of an Ineligible Jurisdiction or the subscriber is an Approved Ineligible Holder; and (ii) the subscriber is not purchasing the New Common Shares for resale to any person who is a citizen or resident of an Ineligible Jurisdiction.

If mail is used for delivery of subscription funds, for the protection of the subscriber certified mail, return receipt requested, should be used and sufficient time should be allowed to avoid the risk of late delivery.

Additional Subscription Privilege

Each Holder of Rights who has initially subscribed for all of the New Common Shares to which he or she is entitled pursuant to the Basic Subscription Privilege may apply to purchase additional New Common Shares, if available, at the price equal to the Subscription Price for each additional New Common Share (collectively, the **Additional New Common Shares**).

The number of Additional New Common Shares available for all additional subscriptions will be the difference, if any, between the total number of New Common Shares issuable upon exercise of Rights and the total number of New Common Shares subscribed and paid for pursuant to the Basic Subscription Privilege at the Expiration Date (the **Additional Subscription Privilege**). Application for Additional New Common Shares will be received subject to allotment only and the number of Additional New Common Shares, if any, which may be allotted to each applicant will be equal to the lesser of: (i) the number of Additional New Common Shares which that applicant has subscribed for under the Additional Subscription Privilege; and (ii) the product (disregarding fractions) obtained by multiplying the number of Additional New Common Shares by a fraction, the numerator of which is the number of Rights exercised by that applicant under the Basic Subscription Privilege and the denominator of which is the aggregate number of Rights exercised under the Basic Subscription Privilege by holders of Rights that have subscribed for Additional New Common Shares pursuant to the Additional Subscription Privilege. If any holder of Rights has subscribed for fewer Additional New Common Shares than such holder s *pro rata* allotment of Additional New Common Shares, the excess Additional New Common Shares will be

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Table of Contents

allotted in a similar manner among the holders who were allotted fewer Additional New Common Shares than they subscribed for.

To apply for Additional New Common Shares under the Additional Subscription Privilege, each Holder of Rights must forward such Holder s request to the Rights Agent at the Subscription Office or such Holder s CDS Participant or DTC Participant, as applicable, prior to the Rights Expiry Time. Payment for Additional New Common Shares, in the same manner as required upon the exercise of the Basic Subscription Privilege, must accompany the request when it is delivered to the Rights Agent, a CDS Participant or a DTC Participant, as applicable. Any excess funds will be returned by mail by the Rights Agent or credited to the subscriber s account with its CDS Participant or DTC Participant, as applicable, without interest or deduction. Payment of such price must be received by the Rights Agent prior to the Rights Expiry Time, failing which the subscriber s entitlement to such Additional New Common Shares will terminate. Accordingly, a subscriber subscribing through a CDS Participant or DTC Participant must deliver its payment and instructions sufficiently in advance of the Rights Expiry Date to allow the CDS Participant or DTC Participant to properly exercise the Additional Subscription Privilege on its behalf.

Payment of the Subscription Price will constitute a representation to the Corporation and, if applicable, to the CDS Participant or DTC Participant, by the subscriber (including by its agents) that: (i) either the subscriber is not a citizen or resident of an Ineligible Jurisdiction or the subscriber is an Approved Ineligible Holder; and (ii) the subscriber is not purchasing the New Common Shares for resale to any person who is a citizen or resident of an Ineligible Jurisdiction.

Rights Certificate New Common Shares Held Through CDS or DTC

For all Holders who hold their New Common Shares through a securities broker or dealer, bank or trust company or other CDS Participant or DTC Participant, as applicable, with an address of record in an Eligible Jurisdiction in the book based system administered by CDS or DTC, as applicable, a global share representing the total number of Rights to which all such Holders as at the Rights Offering Record Date are entitled will be issued in the name of CDS or DTC, as applicable, and will be deposited with CDS or DTC, as applicable, after the Rights Issuance Date. The Corporation expects that each beneficial Holder will receive a confirmation of the number of Rights issued to it from its respective CDS Participant or DTS Participant, in accordance with the practices and procedures of that CDS Participant or DTC Participant, as applicable. CDS and DTC will be responsible for establishing and maintaining the book-entry accounts for CDS Participants and DTC Participants holding Rights.

Neither the Corporation nor the Rights Agent will have any liability for: (i) the records maintained by CDS, CDS Participants, DTC or DTC Participants relating to the Rights or the book-entry accounts maintained by them; (ii) maintaining, supervising or reviewing any records relating to such Rights; or (iii) any advice or representations made or given by CDS, CDS Participants, DTC or DTC Participants with respect to the rules and regulations of CDS or DTC or any action to be taken by CDS, CDS Participants, DTC or DTC Participants.

The ability of a person having an interest in Rights held through a CDS Participant or DTC Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant or DTC Participant) may be limited due to the lack of a physical certificate.

Holders who hold their New Common Shares through a CDS Participant or DTC Participant, as applicable, must arrange purchases or transfers of Rights through their CDS Participant or DTC Participant, as applicable. The subscriber may subscribe for the resulting whole number of New Common Shares (ignoring fractions) or any lesser whole number of New Common Shares by instructing the CDS Participant or DTC Participant, as applicable, holding the subscriber s Rights to exercise all or a specified

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Table of Contents

number of such Rights and forwarding the Subscription Price for each New Common Share subscribed for to the CDS Participant or DTC Participant, as applicable, which holds the subscriber s Rights. Subscribers should contact their particular CDS Participant or DTC Participant, as applicable, for complete details on how to exercise the Basic Subscription Privilege.

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of the CDS Participant or DTC Participant, as applicable, by direct debit from the subscriber s brokerage account or by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the offices of a CDS Participant or DTC Participant, as applicable. The entire Subscription Price for New Common Shares subscribed for must be paid at the time of subscription and must be received by the Rights Agent prior to the Rights Expiry Time. Accordingly, a subscriber subscribing through a CDS Participant or DTC Participant, as applicable, must deliver its payment and instructions sufficiently in advance of the Rights Expiry Date to allow the CDS Participant or DTC Participant, as applicable, to properly exercise the Rights on its behalf.

Rights Certificate New Common Shares Held in Registered Form

For all Holders with an address of record in an Eligible Jurisdiction whose New Common Shares are held in registered form, a Rights Certificate representing the total number of Rights to which each such Holder is entitled as at the Rights Offering Record Date and the number of New Common Shares which may be obtained on the exercise of those Rights will be mailed to each such Holder. In order to exercise the Rights represented by the Rights Certificate, such Holder of Rights must complete and deliver the Rights Certificate in accordance with the instructions set out under Rights Offering - How to Complete the Rights Certificate . Rights not exercised by the Rights Expiry Time will be void and of no value.

How to Complete the Rights Certificate

General

By completing the appropriate form in the Rights Certificate in accordance with the instructions outlined below and in the Rights Certificate, a Holder may:

subscribe for New Common Shares under the Basic Subscription Privilege (Form 1);

apply to subscribe for Additional New Common Shares under the Additional Subscription Privilege (Form 2);

transfer or sell rights (Form 3); or

divide, combine or exchange a Rights Certificate (Form 4).

Form 1 Basic Subscription Privilege

The maximum number of Rights that may be exercised pursuant to the Basic Subscription Privilege is shown in the box on the upper right hand corner on the face of the Rights Certificate. Form 1 must be completed and signed to

exercise all or some of the Rights represented by the Rights Certificate pursuant to the Basic Subscription Privilege. If Form 1 is completed so as to exercise some but not all of the Rights represented by the Rights Certificate, the Holder of the Rights Certificate will be deemed to have waived the unexercised balance of such Rights, unless the Rights Agent is otherwise specifically

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Table of Contents

advised by such Holder at the time the Rights Certificate is surrendered that the unexercised Rights are to be transferred to a third party or are to be retained by the Holder.

Form 2 Additional Subscription Privilege

Complete and sign Form 2 on the Rights Certificate only if you also wish to participate in the Additional Subscription Privilege. See Rights Offering - Additional Subscription Privilege .

Form 3 Transfer of Rights

Complete and sign Form 3 on the Rights Certificate only if you wish to transfer the Rights. Your signature must be guaranteed by a Canadian Schedule I bank, or a member of the acceptable Medallion Signature Guarantee Program, including STAMP, SEMP and MSP. Members of STAMP are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada. It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights, but the signature of the transferee on Forms 1 and 2 must correspond in every particular with the name of the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes. If Form 3 is completed, the Rights Agent will treat the transferee as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary.

The Corporation intends to file with the SEC the Registration Statement so that the New Common Shares issuable upon the exercise of the Rights (other than the Backstopped Shares) will not be restricted securities under U.S. securities laws. However, the Rights may be transferred by U.S. persons only in transactions outside of the United States in accordance with Regulation S, which will permit the resale of the Rights by persons through the facilities of the TSX, provided that the offer is not made to a person in the United States, neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no directed selling efforts , as that term is defined in Regulation S, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to affiliates of the Corporation, as that term is defined under the 1933 Act. In order to enforce this resale restriction, U.S. holders of Rights will be required to execute a declaration certifying that such sale is being made outside the United States in accordance with Regulation S, which is included as part of Form 3.

Form 4 Dividing or Combining

Complete and sign Form 4 on the Rights Certificate only if you wish to divide or combine the Rights Certificate, and surrender it to the Rights Agent at the Subscription Office. Rights Certificates need not be endorsed if the new Rights Certificates are issued in the same name. The Rights Agent will then issue a new Rights Certificate in such denominations (totaling the same number of Rights as represented by the Rights Certificates being divided or combined) as are required by the Rights Certificate holder. Rights Certificates must be surrendered for division or combination in sufficient time prior to the Expiration Time to permit the new Rights Certificates to be issued to and used by the Rights Certificate holder.

Payment

Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of Computershare Investor Services Inc. , the Rights Agent. The amount of payment will be $5.97 per New Common Share. Payment must also be included for any Additional New Common Shares subscribed for under the Additional Subscription Privilege.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Deposit

Deliver or mail the completed Rights Certificate and payment in the enclosed return envelope addressed to the Rights Agent so that it is received by the Rights Agent listed above before the Rights Expiry Time. If mailing, registered mail is recommended. Please allow sufficient time to avoid late delivery. The signature on the Rights Certificate must correspond, in every particular, with the name that appears on the face of the Rights Certificate.

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Rights Agent. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Corporation in its sole discretion, and any determination by the Corporation will be final and binding on the Corporation and its security holders. Upon delivery or mailing of a completed Rights Certificate to the Rights Agent, the exercise of the Rights and the subscription for New Common Shares is irrevocable. The Corporation reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of New Common Shares pursuant thereto could be unlawful. The Corporation also reserves the right to waive any defect in respect of any particular subscription. Neither the Corporation nor the Rights Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice. **Any Holder of Rights that fails to complete its subscription in accordance with the foregoing instructions prior to the Rights Expiry Time will forfeit its Rights under the Basic Subscription Privilege and the Additional Subscription Privilege attaching to those Rights.**

Undeliverable Rights

Rights Certificates returned to the Rights Agent as undeliverable will not be sold by the Rights Agent and no proceeds of sale will be credited to such Holders.

Sale or Transfer of Rights

Holders of Rights in registered form in Eligible Jurisdictions may, instead of exercising their Rights to subscribe for New Common Shares, sell or transfer their Rights to any person that is not an Ineligible Holder by completing Form 3 on the Rights Certificate and delivering the Rights Certificate to the transferee; provided, however, that the Rights may be transferred only in transactions outside of the United States in accordance with Regulation S, which will permit the resale of the Rights by persons through the facilities of the TSX, provided that the offer is not made to a person in the United States, neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no directed selling efforts , as that term is defined in Regulation S, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to affiliates of the Corporation, as that term is defined under the 1933 Act. In order to enforce this resale restriction, U.S. holders of Rights will be required to execute a declaration certifying that such sale is being made outside the United States in accordance with Regulation S, which is included as part of Form 3. See Rights Offering - How to Complete the Rights Certificate - Form 3 - Transfer of Rights . A permitted transferee of the Rights of a registered holder of a Rights Certificate may exercise the Rights transferred to such permitted transferee without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Corporation and the Rights Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither the Corporation nor the Rights Agent will be affected by any notice to the contrary.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Sales or transfers of ownership of Rights will be effected only through records maintained by CDS or DTC, as applicable, or its nominee for such Rights with respect to interests of CDS Participants or DTC Participants, as applicable, and on the records of CDS Participants or DTC Participants, as applicable, with respect to interests of persons other than CDS Participants or DTC Participants. Holders of Rights who are not CDS Participants or DTC Participants, but who desire to purchase, sell or otherwise transfer ownership of their Rights, may do so only through CDS Participants or DTC Participants. See Rights Offering - Rights Certificate New Common Shares Held Through CDS or DTC .

Dividing or Combining Rights Certificates

A Rights Certificate may be divided, exchanged or combined. See Rights Offering - How to Complete the Rights Certificate Form 4 - Dividing or Combining .

Registration and Delivery of New Common Shares

Unless the Rights Agent is instructed otherwise in writing by a subscriber, New Common Shares purchased through the exercise of Rights, including Additional New Common Shares purchased through the Additional Subscription Privilege, will be registered in the name of the person subscribing for those New Common Shares and certificates for such New Common Shares will be mailed by ordinary pre-paid mail as soon as practicable to the subscriber at the address appearing in the Rights Certificate.

The Corporation anticipates that Shareholders whose New Common Shares are held through a CDS Participant or DTC Participant, as applicable, and exercise their Rights will receive a customer confirmation of the purchase from the CDS Participant or DTC Participant, as applicable, from whom such New Common Shares are purchased in accordance with the practices and procedures of the CDS Participant or DTC Participant, as applicable.

Reservation of Shares

The Corporation will, at all times, reserve sufficient unissued New Common Shares as will permit the exchange of all the outstanding Rights for New Common Shares during the period beginning on the Rights Issuance Date and ending on the Rights Expiry Date at the Rights Expiry Time.

Dilution to Existing Shareholders

If a Shareholder wishes to retain that holder s current percentage ownership in the Corporation and assuming that all Rights are exercised, the Shareholder should fully exercise the Rights issued to that Shareholder under the Rights Offering to subscribe for and purchase New Common Shares. If a Shareholder does not exercise the Rights issued to that Shareholder, or elects to sell or transfer those Rights, and other holders of Rights exercise any of their Rights, that holder s current percentage ownership in the Corporation will be diluted by the issue of New Common Shares under the Rights Offering.

However, if no other Holder of Rights exercises their Basic Subscription Privilege or Additional Subscription Privilege, Brookfield and the Consenting Debentureholder could own up to 53,471,379 New Common Shares and 2,297,263 New Common Shares, respectively, representing up to approximately 92% and 4% of the issued and outstanding New Common Shares, respectively. Holders should be aware that although Brookfield has agreed not to exercise its Additional Subscription Privilege, it has agreed to purchase all of the New Common Shares not otherwise subscribed for by Holders pursuant to their Basic Subscription Privilege and Additional Subscription Privilege, if any, subject to certain limitations. See Rights Offering - Backstop Agreement .

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Ineligible Holders

The Rights Offering is made only in the Eligible Jurisdictions**.** Accordingly, the Rights and the New Common Shares are not being offered to persons in or whose addresses of record are in any other jurisdiction outside of the Eligible Jurisdictions. Subject to the exception described below, neither a subscription for New Common Shares pursuant to the Basic Subscription Privilege nor an application for Additional New Common Shares pursuant to the Additional Subscription Privilege will be accepted from any person, or his agent, who appears to be, or who the Corporation has reason to believe, is an Ineligible Holder.

Rights Certificates will not be issued and forwarded by the Corporation to Ineligible Holders who are not Approved Ineligible Holders. Ineligible Holders will be presumed to be resident in the place of their registered address unless the contrary is shown to the satisfaction of the Corporation. Ineligible Holders will be sent a letter advising them that their Rights Certificates will be issued to and held on their behalf by the Rights Agent. The letter will also set out the conditions required to be met, and procedures that must be followed, by Ineligible Holders wishing to participate in the Rights Offering. Rights Certificates in respect of Rights issued to Ineligible Holders will be issued to and held by the Rights Agent as agent for the benefit of the Ineligible Holders. The Rights Agent will hold these Rights until 5:00 p.m. (Toronto time) on September 1, 2015 in order to provide Ineligible Holders an opportunity to claim their Rights by satisfying the Corporation that the issue of New Common Shares pursuant to the exercise of Rights will not be in violation of the laws of the applicable jurisdiction. Following such date, the Rights Agent, for the account of the registered Ineligible Holders, will, prior to the Rights Expiry Time, attempt to sell the Rights of such registered Ineligible Holders represented by Rights Certificates in possession of the Rights Agent on such date or dates and at such price or prices as the Rights Agent determines in its sole discretion.

Beneficial owners of New Common Shares registered in the name of a resident of an Ineligible Jurisdiction, who are not themselves resident in an Ineligible Jurisdiction, who wish to be recognized as an Approved Ineligible Holder and who believe that their Rights may have been delivered to the Rights Agent, should contact the Rights Agent at the earliest opportunity, and in any case in advance of 5:00 p.m. (Toronto time) on September 1, 2015, to request to obtain their Rights.

The Rights and the New Common Shares issuable on the exercise of the Rights (including the Backstopped Shares) have not been qualified for distribution in any Ineligible Jurisdiction and, accordingly, may only be offered, sold, acquired, exercised or transferred in transactions not prohibited by applicable laws in Ineligible Jurisdictions.

Notwithstanding the foregoing, persons located in such Ineligible Jurisdictions may be able to exercise the Rights and purchase New Common Shares provided that they furnish an investor letter satisfactory to the Corporation on or before September 1, 2015. A Holder of Rights in an Ineligible Jurisdiction holding on behalf of a person resident in an Eligible Jurisdiction may be able to exercise the Rights provided that the Holder certifies in an investor letter that the beneficial purchaser is resident in an Eligible Jurisdiction and satisfies the Corporation that such subscription is lawful and in compliance with all securities and other applicable laws. Any person resident outside of the Eligible Jurisdictions, who is subject to the laws of a jurisdiction where the Rights Offering may be lawful, should seek advice from an attorney or other qualified securities authority to satisfy himself or herself with respect to the availability and applicability of any exemption or other provision of the applicable securities legislation that would make the Rights Offering to him or her lawful.

No charge will be made for the sale of Rights by the Rights Agent except for a proportionate share of any brokerage commissions incurred by the Rights Agent and the costs of or incurred by the

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Table of Contents

Rights Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Rights Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Rights Agent in respect of the price or the time at which the Rights are to be sold. The Rights Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Rights Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a *pro rata* basis among such registered Ineligible Holders and delivered by mailing cheques (in Canadian funds) of the Rights Agent therefor as soon as practicable to such registered Ineligible Holders at their addresses recorded on the books of the Corporation. Amounts of less than $10.00 will not be remitted. The Rights Agent will act in its capacity as agent of the registered Ineligible Holders on a reasonable efforts basis only and the Corporation and the Rights Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any registered Ineligible Holder. Neither the Corporation nor the Rights Agent will be subject to any liability for the failure to sell any Rights of registered Ineligible Holders or as a result of the sale of any Rights at a particular price or on a particular date. **There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Rights Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.**

Similar provisions will apply to Rights held by a CDS Participant or DTC Participant on behalf of a beneficial Ineligible Holder.

Holders of Rights and New Common Shares who are not resident in Canada and the United States should be aware that the acquisition, exercise, disposition, conversion or lapse of Rights and New Common Shares may have tax consequences in the jurisdiction where they reside and in Canada, which are not described in this Circular. Accordingly, such holders should consult their own tax advisors about the specific tax consequences in the jurisdiction where they reside and in Canada of acquiring, exercising, holding, converting and disposing of Rights and New Common Shares.

Stock Exchange Listing

The Common Shares are listed on the TSX. Subject to Shareholders approving the Shareholders Arrangement Resolution, the TSX has conditionally approved the: (i) listing of the Common Shares issuable to the Debentureholders and Brookfield and holders of RSUs pursuant to the Arrangement; (ii) consolidation of the Common Shares then issued and outstanding; and (iii) listing of the Rights and the New Common Shares issuable upon the exercise of the Rights, including the Backstopped Shares and the Backstop Fee Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX.

Use of Proceeds

The gross proceeds of the Rights Offering (including, if applicable, the purchase of the Backstopped Shares by Brookfield and the Consenting Debentureholder) will be approximately $50 million. The net proceeds of the Rights Offering will be $49.6 million after paying certain fees and expenses relating to the Rights Offering. The net proceeds will be used by NAP to fund repayment of any amounts owing under the Brookfield Bridge Loan and the ongoing operations and expansion at the LDI Mine. The Brookfield Bridge Loan was used to provide temporary working capital support required by the Corporation as a result of the suspension of milling operations. Fees and expenses reducing the gross proceeds of the Rights Offering relate to financial advisory fees, and legal, accounting and regulatory filing fees.

For any questions or voting assistance, please call D.F. King toll-free at 1-800-845-1507 or by email at inquiries@dfking.com

Table of Contents

Backstop Agreement

Brookfield has entered into the Backstop Agreement pursuant to which Brookfield has, subject to certain terms and conditions, agreed to purchase all of the New Common Shares which remain unsubscribed for by the holders of the Rights at the expiry of the Rights Offering under the Basic Subscription Privilege and the Additional Subscription Privilege.

The Consenting Debentureholder has agreed to support the Backstop Commitment by exercising its Rights and purchasing from the Corporation, at the Subscription Price, 10% of all New Common Shares that are not otherwise subscribed for and taken up in the Rights Offering (after the exercise of the Basic Subscription Privilege and the Additional Subscription Privilege) and will receive a fee equal to 10% of the Backstop Fee Shares (as defined below). Brookfield has also agreed to transfer to the Consenting Debentureholder for no additional consideration, and the Consenting Debentureholder will exercise, a portion of Brookfield s Rights so that the aggregate number of Rights received by the Consenting Debentureholder, including Rights received by the Consenting Debentureholder as a holder of New Common Shares, equals 8% of the Rights issued by the Corporation.

In consideration for the Backstop Commitment, on the Closing Date the Corporation will issue 226,131 New Common Shares to Brookfield and 25,126 New Common Shares to the Consenting Debentureholder with an estimated aggregate value of $1.5 million (the **Backstop Fee Shares**).

The obligations of Brookfield under the Backstop Agreement may be terminated at the discretion of Brookfield in certain circumstances, including (but not limited to) if: (i) the Recapitalization Agreement is terminated for any reason, (ii) breach by the Corporation of any representation or warranty set forth in the Backstop Agreement, or default by the Corporation in the performance or observance of, any term, condition, covenant or agreement set forth in the Backstop Agreement, which breach failure or default is not cured within five (5) Business Days after the receipt of written notice of such breach, failure or default, (iii) if any order is issued by a Governmental Entity pursuant to applicable Laws, or if there is any change of Law, either of which suspends or ceases trading in the Rights or the New Common Shares for a period greater than one (1) Business Day, (iv) if any order is issued by a Governmental Entity pursuant to applicable Laws, or if there is any change of Law, which operates to prevent or restrict (A) the lawful distribution of the Recapitalization Securities or (B) the Recapitalization Securities (other than the Backstopped Shares) from being (aa) freely tradable in Canada (provided that the trade is not a control distribution as defined in Canadian securities laws, no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade, no extraordinary commission or consideration is paid to a person or company in respect of the trade, and if the selling security holder is an insider or officer of the Corporation, the selling security holder has no reasonable grounds to believe that the Corporation is in default of Canadian securities laws) or (bb) eligible for immediate resale on or through the facilities of the TSX, including, without limitation, by virtue of the Corporation failing to obtain final listing approval from the TSX, (v) any Material Adverse Change (as defined in the Backstop Agreement) occurs; (vi) the Rights Offering is otherwise terminated or cancelled or the closing of the Rights Offering has not occurred on or before October 16, 2015, and (vii) the conditions in favour of Brookfield have not been satisfied or waived on or before the Closing Date.

The obligations of the Corporation under the Backstop Agreement may be terminated at the discretion of the Corporation in certain circumstances, including (but not limited to) if: (i) the Recapitalization Agreement has been terminated by the Corporation for any reason; (ii) breach by Brookfield of any representation or warranty set forth in the Backstop Agreement, or default by Brookfield in the performance or observance of, any term, condition, covenant or agreement set forth in the Backstop Agreement, which breach failure or default is not cured within five (5) Business Days after the receipt of written notice of such breach, failure or default, (iii) the Rights Offering is not approved by

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Table of Contents

the TSX, or (iv) if any order is issued by a Governmental Entity pursuant to applicable Laws, or if there is any change of Law, either of which operates to prevent or restrict the lawful distribution of the Rights, the New Common Shares issuable upon exercise of the Rights and the Backstop Fee Shares.

The respective obligations of each of the Corporation and Brookfield to complete the transactions contemplated by the Backstop Agreement are subject to the following conditions being satisfied in full on or before the Closing Date:

(a) the Recapitalization shall have been completed in accordance with its terms;

(b) there shall not be any claims, litigation, investigations or proceedings, including appeals and applications for review, in progress, or to the knowledge of the Corporation or Brookfield, pending or threatened, including, without limitation by or before any Governmental Entity, in relation to the Rights Offering or the Recapitalization Securities, any of which is reasonably likely to be successful against the Corporation and which suspends or ceases trading in the Rights or the New Common Shares or operates to prevent or restrict the lawful distribution of the Recapitalization Securities (which suspension, cessation, prevention or restriction, as the case may be, is continuing);

(c) there shall not be any order issued by a Governmental Entity pursuant to Laws, nor shall there be any change of Law, in either case which suspends or ceases trading in the Rights or the New Common Shares or operates to prevent or restrict the lawful distribution of the Recapitalization Securities (which suspension, cessation, prevention or restriction, as the case may be, is continuing); and

(d) the listing and posting on the TSX of the New Common Shares issuable upon exercise of the Rights and the Backstop Fee Shares shall have been approved by the TSX, subject to receipt of final documentation.

The obligation of Brookfield to complete the purchase of the Backstopped Shares is subject to the following conditions being satisfied in full on or before the Closing Date, which conditions are for the exclusive benefit of Brookfield, any of which may be waived, in whole or in part, by Brookfield:

(a) all actions required to be taken by or on behalf of the Corporation, including the passing of all requisite resolutions of the directors of the Corporation and all requisite filings with any Governmental Entity will have occurred on or prior to the Closing Date, so as to validly authorize the Rights Offering (including the execution and filing of the Registration Statement) and to create and issue the Recapitalization Securities, in each case having the attributes contemplated in this Circular and the Registration Statement, and the Corporation will have taken all requisite actions, including the passing of all requisite resolutions of the directors of the Corporation, and have made and/or obtained all necessary filings, approvals, orders, rulings and consents of all Governmental Entities required in connection with the Rights Offering and the other transactions contemplated herein, including the purchase of Backstopped Shares by Brookfield;

(b) Brookfield shall have received legal opinions dated as of the Closing Date satisfactory to Brookfield, acting reasonably, collectively confirming that: (A) the New Common Shares issuable upon exercise of the Rights

and the Backstop Fee Shares shall be duly authorized, validly issued and fully paid and non-assessable; (B) the issuance of the Rights and the issuance of the New Common Shares issuable upon exercise of the Rights and the Backstop Fee Shares shall comply with applicable Canadian securities laws; and

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Table of Contents

(C) the issuance of the Rights and the Common Shares issuable upon exercise of the Rights (except the Backstop Fee Shares) shall be freely tradable in Canada (provided that the trade is not a control distribution as defined in Canadian securities laws, no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade, no extraordinary commission or consideration is paid to a person or company in respect of the trade, and if the selling security holder is an insider or officer of the Corporation, the selling security holder has no reasonable grounds to believe that the Corporation is in default of Canadian securities laws);

(c) all terms and conditions of the Rights Offering included in this Circular and the Registration Statement and any other related document prepared by the Corporation for distribution or circulation shall have been acceptable to Brookfield and shall not have been changed in any material respect unless otherwise agreed to in writing by the Corporation and Brookfield;

(d) Brookfield will have received on the Closing Date a certificate dated the Closing Date and signed by an officer of the Corporation certifying that:

(i) no order, ruling or determination, having been issued by any Governmental Entity, or change of Law, in any such case, having the effect of preventing, restricting or suspending the sale or distribution of the Rights, or suspending or ceasing the trading of the New Common Shares or any other securities of the Corporation (including, without limitation, the Rights) that is continuing in effect and no inquiry, investigation (whether formal or informal) or other proceedings for that purpose having been instituted or are pending or, to the knowledge of such officers, having been contemplated or threatened under any of the applicable securities laws or by any Governmental Entity;

(ii) the Corporation has duly complied in all material respects with the terms, conditions and covenants of the Backstop Agreement on its part to be complied with up until the Closing Date; and

(iii) the representations and warranties of the Corporation contained in the Backstop Agreement are true and correct in all material respects as of the Closing Time with the same force and effect as if made at and as of the Closing Date, in each case after giving effect to the transactions contemplated by the Backstop Agreement, except for such representations and warranties which are stated to be qualified as to materiality, in which case such representations and warranties will be true and correct as of the Closing Time,

and all such matters will in fact be true and correct as at the Closing Time; provided that such certificate or certificates may be revised to reflect that any representation or warranty which for any reason was not true and correct as at the Effective Time, and identified as such by the Corporation at the Effective Time (along with the reason such representation or warranty was not true and correct at such time) in the certificate to be delivered to Brookfield pursuant to Section 13(a) of the Recapitalization Agreement, can continue at Closing to not be true and correct for that reason; and

(e)

no Material Adverse Change shall have occurred after the date of the Backstop Agreement and prior to the Closing Time.

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Table of Contents

The obligation of the Corporation to complete the issuance of the Rights and the New Common Shares issuable upon exercise of the Rights is subject to the following conditions being satisfied in full on or before the Closing Date, which conditions are for the exclusive benefit of the Corporation, any of which may be waived, in whole or in part, by the Corporation:

(a) the Corporation will have received on the Closing Date a certificate dated the Closing Date and signed by an officer of Brookfield certifying that:

(i) Brookfield has duly complied in all material respects with the terms, conditions and covenants of the Backstop Agreement on its part to be complied with up until the Closing Date; and

(ii) the representations and warranties of Brookfield contained in the Backstop Agreement are true and correct in all material respects as of the Closing Time with the same force and effect as if made at and as of the Closing Date, in each case after giving effect to the transactions contemplated by the Backstop Agreement, except for such representations and warranties which are stated to be qualified as to materiality, in which case such representations and warranties will be true and correct as of the Closing Time.

Pursuant to the Backstop Agreement, Brookfield has agreed to, among other things, (i) exercise its Basic Subscription Privilege in full, (ii) not exercise its Additional Subscription Privilege, and (iii) subscribe for all of the New Common Shares not otherwise subscribed for by Holders of Rights pursuant to their Basic Subscription Privilege or the Additional Subscription Privilege, if any. However, if no other Holder of Rights exercises their Basic Subscription Privilege or Additional Subscription Privilege, following the Closing Date, Brookfield and the Consenting Debentureholder could own up to 53,471,379 and 2,297,263 New Common Shares, respectively which would bring Brookfield s and the Consenting Debentureholder s ownership interest in the Corporation to approximately 92% and 4%, respectively.

Brookfield is not engaged as an underwriter in connection with the Rights Offering and has not been involved in the preparation of, or performed any review of, this Circular in the capacity of an underwriter.

The foregoing summary of certain provisions of the Backstop Agreement does not purport to be complete and is qualified in its entirety by reference to the provisions of the Backstop Agreement which is available under NAP s issuer profile at www.sedar.com.

DIVIDEND POLICY

It is not anticipated that the Corporation will pay any dividends on its Common Shares or New Common Shares in the near future. The actual timing, payment and amount of any dividends will be determined by the Board of Directors from time to time based upon, among other things, the Corporation s cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and such other business considerations as the board of directors may consider relevant. As of June 30, 2015, the Corporation has never paid any dividends on the Common Shares.

PRIOR SALES

During the twelve month period prior to the date of this Circular, the Corporation issued the following Common Shares and securities convertible into Common Shares:

Table of Contents

Number of Securities	Date of Issue	Price per Security/ Exercise Price per Security
1,917,594 Common Shares(2)	January 13, 2015	$ 0.27
100,000 Restricted Share Units(3)	January 8, 2015	$ 0.16
100,000 Stock Options(1)	January 8, 2015	$ 0.16
1,125,000 Restricted Share Units(3)	January 1, 2015	$ 0.16
2,000,000 Stock Options(1)	November, 21, 2014	$ 0.16
1,571,857 Common Shares(2)	October 17, 2014	$ 0.22
451,700 Stock Options(1)	October 1, 2014	$ 0.22
451,700 Restricted Share Units(3)	October 1, 2014	$ 0.22
1,224,568 Common Shares(2)	July 25, 2014	$ 0.33
180,000 Restricted Share Units(3)	July 10, 2014	$ 0.35

(1) Each stock option is exercisable into one (1) Common Share.
(2) Issued as compensation in connection with the Corporation s employee RRSP plan.
(3) Each Restricted Share Unit is redeemable for either one (1) Common Share or cash at the prevailing market price, at the election of the holder.

DESCRIPTION OF COMMON SHARES

The authorized share capital of the Corporation consists of an unlimited number of Common Shares. As of June 30, 2015, there were 393,690,541 Common Shares of the Corporation issued and outstanding. An aggregate of 19,404,572,359 Common Shares will be issued pursuant to the Arrangement (excluding the Share Consolidation and Rights Offering), representing approximately 4,928% of the Common Shares issued and outstanding as of June 30, 2015. It is anticipated that, after giving effect to the Arrangement (but excluding the Rights Offering), there will be 49,495,656 New Common Shares issued and outstanding. Following completion of the Rights Offering, including the issuance of the Backstopped Shares and the Backstop Fee Shares, a maximum of 58,126,526 New Common Shares in the aggregate are expected to be outstanding.

Each Common Share entitles the holder thereof to one (1) vote at all meetings of shareholders other than meetings at which only the holders of another class or series of shares are entitled to vote. Each Common Share entitles the holder thereof to receive any dividends declared by the board of directors and the remaining property of the Corporation upon dissolution.

There are no pre-emptive or conversion rights that attach to the Common Shares. All Common Shares now outstanding and to be outstanding are, or will be when issued, fully paid and non-assessable, which means the holders of such Common Shares will have paid the purchase price in full and the Corporation cannot ask them to pay additional funds.

The Corporation s by-laws provide for certain rights of its shareholders in accordance with the provisions of the Canada Business Corporations Act. Such by-laws may be amended either by a majority vote of the shareholders or by a majority vote of the board of directors. Any amendment of the by-laws by action of the board of directors must be submitted to the next meeting of the shareholders whereupon the by-law amendment must be confirmed as amended by a majority vote of the shareholders voting on such matter. If the by-law amendment is rejected by the shareholders, the by-law ceases to be effective and no subsequent resolution of the board of directors to amend a by-law having substantially the same purpose or effect shall be effective until it is confirmed or confirmed as amended by the

shareholders.

Shareholders do not have cumulative voting rights for the election of directors. Therefore, the holders of more than 50% of the Common Shares voting for the election of directors could, if they choose

Table of Contents

to do so, elect all of the directors and, in such event, the holders of the remaining Common Shares would not be able to elect any directors.

CERTAIN REGULATORY MATTERS

Canada

Issuance and Resale of Securities Received in the Arrangement

The issuance of (i) the Common Shares and New Common Shares pursuant to the Arrangement, (ii) the Rights, New Common Shares issuable upon the exercise of the Rights and the Backstopped Shares pursuant to the Arrangement, and (iii) the Backstop Fee Shares, will be exempt from the prospectus and registration requirements under Canadian securities legislation. As a consequence of these exemptions, certain protections, rights and remedies provided by Canadian securities legislation, including statutory rights of recession or damages, will not be available in respect of the Common Shares, New Common Shares, Rights, New Common Shares issuable upon the exercise of the Rights and the Backstopped Shares pursuant to the Arrangement.

The New Common Shares issued pursuant to the Arrangement, Rights and New Common Shares issuable upon the exercise of the Rights will be fully transferable subject to typical securities law limitations (other than as a result of any control person restrictions which may arise by virtue of the ownership thereof). Debentureholders and Shareholders are advised to seek legal advice prior to any resale of the New Common Shares.

Pursuant to the Arrangement, on or about August 25, 2015, NAP intends to distribute the Rights to Shareholders of record on the Rights Offering Record Date. NAP intends to file the Registration Statement with the SEC in the United States so that the New Common Shares issuable upon the exercise of the Rights will not be subject to transfer restrictions in the United States. The Rights will entitle the holders thereof to acquire up to 8,379,613 New Common Shares at the Subscription Price for gross proceeds of $50 million. Brookfield and the Consenting Debentureholder have agreed to fully backstop the Rights Offering pursuant to the Backstop Commitment.

Stock Exchange Listing

The Common Shares are listed on the TSX. Subject to Shareholders approving the Shareholders Arrangement Resolution, the TSX has conditionally approved the: (i) listing of the Common Shares issuable to the Debentureholders and Brookfield and holders of RSUs pursuant to the Arrangement; (ii) consolidation of the Common Shares then issued and outstanding; and (iii) listing of the Rights and the New Common Shares issuable upon the exercise of the Rights, including the Backstopped Shares and the Backstop Fee Shares. Listing is subject to the Corporation fulfilling all of the requirements of the TSX.

Expenses

The estimated fees, costs and expenses payable by NAP in connection with the completion of the Arrangement including, without limitation, financial advisory fees, filing fees, legal and accounting fees and printing and mailing costs are anticipated to be approximately $4.2 million.

82

Table of Contents

United States

Status under U.S. securities laws

At the time of the Arrangement and the Rights Offering, NAP is expected to be a foreign private issuer as defined in Rule 3b-4 under the 1934 Act. Subject to Shareholders approving the Shareholders Arrangement Resolution, the TSX has conditionally approved the: (i) listing of the Common Shares issuable to the Debentureholders and Brookfield and holders of RSUs pursuant to the Arrangement; (ii) consolidation of the Common Shares then issued and outstanding; and (iii) listing of the Rights and the New Common Shares issuable upon the exercise of the Rights, including the Backstopped Shares and the Backstop Fee Shares. The Corporation does not intend to seek a listing for the New Common Shares on a stock exchange in the United States.

Issuance and resale of securities under U.S. securities laws

The following discussion is a general overview of certain requirements of U.S. federal securities laws that may be applicable to U.S. securityholders in the United States. All U.S. securityholders are urged to consult with their own legal counsel to ensure that any subsequent resale of New Common Shares issued to them under the Arrangement and in the Rights Offering complies with applicable securities legislation.

Further information applicable to U.S. securityholders is disclosed under the heading Note to U.S. Securityholders . The following discussion does not address the Canadian securities laws that will apply to the issuance to or the resale by U.S. securityholders within Canada of securities of NAP. U.S. securityholders reselling their New Common Shares in Canada must comply with Canadian securities laws, as outlined above under Certain Regulatory Matters - Canada .

Issuance of 3(a)(10) Securities

The New Common Shares to be issued to Debentureholders and holders of RSUs under the Arrangement have not been and will not be registered under the 1933 Act or any applicable securities laws of any state of the United States, and are being issued in reliance on the exemption from registration set forth in Section 3(a)(10) of the 1933 Act on the basis of the approval of the Court, which will consider, among other things, the fairness of the Arrangement to the persons affected, and similar exemptions from registration or qualification provided under the securities laws of applicable states of the United States. Section 3(a)(10) of the 1933 Act exempts from registration the distribution of a security that is issued in exchange for outstanding securities where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear, by a court or by a governmental authority expressly authorized by law to grant such approval. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court issued the Interim Order on June 30, 2015 and, subject to the approval of the Arrangement by the Securityholders, a hearing in respect of the Final Order for the Arrangement is currently scheduled to take place on August 5, 2015 at 10:00 a.m. (Toronto time) in Toronto, Ontario. Accordingly, pursuant to the Section 3(a)(10) Exemption, the Final Order will, if granted, constitute a basis for the exemption from the registration requirements of the 1933 Act with respect to the New Common Shares issued in the Arrangement to Debentureholders and holders of RSUs.

83

Table of Contents

Issuance of Rights Offering Securities

The issuance of New Common Shares upon the exercise of the Rights, including the Backstopped Shares, is not eligible for the exemption from registration under Section 3(a)(10) of the 1933 Act and these securities may not be issued in the absence of an effective registration statement, or another exemption under the 1933 Act. NAP intends to file the Registration Statement with the SEC, which registers the New Common Shares (other than the Backstopped Shares) issuable upon the exercise of the Rights. The Backstopped Shares and the Backstop Fee Shares will be issued in reliance on Regulation S.

Resales of New Common Shares within the United States after the completion of the Arrangement and the Rights Offering

Persons who are not affiliates of NAP after the Arrangement or who have not been affiliates of NAP within ninety days prior to the contemplated resale transaction may resell the New Common Shares, if any, that they receive in the Arrangement and the Rights Offering in the United States without restriction under the 1933 Act. An affiliate of NAP or persons or entities who have been affiliates of NAP within ninety days prior to the contemplated resale transaction will be subject to certain restrictions on resale imposed by the 1933 Act. As defined in Rule 144 under the 1933 Act, an affiliate of an issuer is a person that, directly or indirectly through one (1) or more intermediaries, controls, is controlled by, or is under common control with, the issuer and may include certain officers and directors of such issuer as well as principal shareholders of such issuer.

Persons who are affiliates of NAP may not resell the New Common Shares that they receive in the Arrangement in the absence of registration under the 1933 Act, unless an exemption from registration is available, such as the exemptions contained in Rule 144 or Regulation S.

Affiliates - Rule 144. In general, under Rule 144, persons who are affiliates of NAP will be entitled to sell in the United States, during any three-month period, the New Common Shares that they receive in the Arrangement and the Rights Offering, provided that the number of such securities sold does not exceed the greater of one percent (1%) of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four (4) calendar week period preceding the date of sale, subject to specified restrictions on manner of sale, notice requirements, aggregation rules and the availability of current public information about NAP. Persons who are affiliates of NAP will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of NAP.

Affiliates - Regulation S. In general, under Regulation S, persons who are affiliates of NAP solely by virtue of their status as an officer or director of NAP may sell any New Common Shares received in the Arrangement and the Rights Offering outside the United States in an offshore transaction (which would include a sale through the TSX) if neither the seller nor any person acting on its behalf engages in directed selling efforts in the United States and provided that no selling commission, fee or other remuneration is paid in connection with such sale other than the usual and customary broker s commission that would be received by a person executing such transaction as agent. For purposes of Regulation S, directed selling efforts means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered . Certain additional

restrictions, set for in Rule 903 of Regulation S, are applicable to a holder of

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Table of Contents

such securities who is an affiliate of NAP other than by virtue of his or her status as an officer or director of NAP.

UNAUDITED PRO FORMA CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

North American Palladium Ltd.

Unaudited Pro Forma Condensed Interim Consolidated Balance Sheet

As at March 31, 2015

(expressed in millions of Canadian dollars)

(unaudited)

	March 31, 2015	Adjustments	Recapitalization & Rights Offering	Pro Forma March 31, 2015
ASSETS				
Current Assets				
Cash and cash equivalents 1(a),1(c), 1(d), 1(e), 2(a), 2(e), 3	$ 10.4	$ 30.7	$ 26.6	$ 67.7
Accounts receivable	66.2			66.2
Inventories	15.4			15.4
Other assets	2.0			2.0
Total Current Assets	94.0	30.7	26.6	151.3
Non-current Assets				
Mining interests	450.6			450.6
Total Non-current Assets	450.6			450.6
Total Assets	$ 544.6	$ 30.7	$ 26.6	$ 601.9
LIABILITIES AND SHAREHOLDERS EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities 2(d)	$ 32.8	$	$ (0.3)	$ 32.5
Credit facility 1(e)	42.3	(12.0)		30.3
Current portion of obligations under finance leases	4.7			4.7
Current portion of long-term debt 1(a),1(b), 1(c), 1(d), 2(a), 2(b), 3	207.5	122.6	(330.1)	
Total Current Liabilities	287.3	110.6	(330.4)	67.5

Non-current Liabilities				
Income taxes payable	0.1			0.1
Asset retirement obligations	16.9			16.9
Obligations under finance leases	13.0			13.0
Long-term debt 2(b)	38.1		(38.1)	
Total Non-current Liabilities	68.1		(38.1)	30.0
Shareholders Equity				
Common share capital and purchase warrants 2(a), 2(b), 2(d), 3	868.4		832.8	1,701.2
Stock options and related surplus 2(c)	9.8		0.2	10.0
Equity component of convertible debentures, net of issue costs 2(b)	6.9		(6.9)	
Contributed surplus	8.9			8.9
Deficit 1(a), 1(b), 1(c), 2(a), 2(b), 2(c), 2(d), 2(e)	(704.8)	(79.9)	(431.0)	(1,215.7)
Total Shareholders Equity	189.2	(79.9)	395.1	504.4
Total Liabilities and Shareholders Equity	$ 544.6	$ 30.7	$ 26.6	$ 601.9

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Table of Contents

NOTES TO THE UNAUDITED PRO FORMA CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

1. Basis of Presentation

This unaudited pro forma condensed interim consolidated balance sheet of NAP is derived from the unaudited consolidated balance sheet of NAP as at March 31, 2015. This unaudited pro forma condensed interim consolidated balance sheet is intended to reflect the consolidated financial position of NAP as at March 31, 2015 after giving effect to the following events and transactions, as if such events and transactions had occurred on March 31, 2015:

(a) recognize the US$25.0 million interim loan provided by Brookfield on April 15, 2015 and associated commitment and waiver fees pursuant to an amendment to the Brookfield Existing Loan;

(b) recognize the prepayment fee payable to Brookfield on acceleration of the Brookfield Existing Loan maturity;

(c) recognize the US$15 million draw down on the Brookfield Bridge Loan and related commitment fee payment;

(d) recognize scheduled repayment of the US$3.9 million commitment fee and the related US$1.2 million prepayment fee payable to Brookfield;

(e) record a partial repayment of the BNS Credit Agreement with a portion of the Brookfield Bridge Loan proceeds; and

(f) recognize the implementation of the Plan of Arrangement including the corporate and capital reorganization and the Rights Offering as discussed below under Plan of Arrangement Adjustments and Rights Offering Adjustments .

The above events and transactions are further described in more detail elsewhere in this Circular.

Other than those transactions described above, this unaudited pro forma condensed interim consolidated balance sheet does not give effect to transactions occurring after March 31, 2015.

All references to U.S. dollar equivalents of Canadian dollar amounts are based on an exchange rate of US$1.00 = Cdn$1.2508, being the Bank of Canada noon rate for March 31, 2015.

This unaudited pro forma condensed interim consolidated balance sheet should be read in conjunction with the Annual Financial Statements and the Unaudited Interim Financial Statements and related management s discussion and analysis incorporated by reference herein.

The Plan of Arrangement is subject to possible amendment and approval**.** If the Plan of Arrangement is approved, the events and transactions will be accounted for on the basis of events and circumstances at the Effective Date. This unaudited pro forma condensed interim consolidated balance sheet is based on currently available information and on certain assumptions management of NAP believes are reasonable under the circumstances. Some assumptions may not materialize and events and circumstances occurring subsequent to the date hereof on which the unaudited pro forma condensed interim consolidated balance sheet has been prepared may be different from those assumed or anticipated, and thus may materially affect amounts disclosed in this unaudited pro forma condensed

Table of Contents

consolidated balance sheet. In accordance with the accounting required on the settlement of debt, the fair value of equity securities issued as part of the Recapitalization will be measured at their fair value on the Effective Date. This requirement may result in a per Common Share amount different from the $0.04 assumed in the unaudited pro forma condensed interim consolidated balance sheet and that difference may be material. For purposes of determining the fair value of the shares issued for the Recapitalization within the unaudited pro forma condensed interim consolidated balance sheet, the closing Common Share price of $0.04 on June 30, 2015 was used in the calculation. Additionally, this unaudited pro forma condensed interim consolidated balance sheet does not purport to represent what NAP s actual financial position will be upon emergence from the proceedings or represent what fair value of NAP s assets or liabilities will be at the Effective Date.

2. Plan of Arrangement Adjustments

In conjunction with the filing of the Plan of Arrangement, certain amounts classified as Liabilities are subject to recapitalization. As such:

(a) the book value of the Brookfield Existing Loan of $309.4 million, consisting of the secured term loan of $273.4 million and an interim credit facility of $36.0 million, have been eliminated on extinguishment in exchange for Common Shares. Share capital of $728.6 million has been recognized for the resulting issuance of 18,214,401,868 Common Shares, assuming a price of $0.04 per Common Share and a loss on conversion to equity of $419.2 million has been recognized in deficit on the unaudited pro forma condensed interim consolidated balance sheet;

(b) the book value of Debentures of $40.1 million and the equity component of convertible debentures of $6.9 million have been eliminated on extinguishment. Share capital of $54.5 million has been recognized for the resulting issuance of 1,187,895,774 Common Shares, assuming a price of $0.04 per Common Share and a loss on conversion to equity of $7.4 million has been recognized in deficit on the unaudited pro forma condensed interim consolidated balance sheet;

(c) in conjunction with the cancellation of the Options, a $0.2 million loss has been recognized as stock options and related surplus on the unaudited pro forma condensed interim consolidated balance sheet;

(d) in conjunction with the exchange of outstanding RSUs to Common Shares, 2,274,717 Common Shares will be issued, assuming a price of $0.04 per share, resulting in $0.1 million recorded in share capital, the settlement of $0.3 million liability recorded in accounts payable, and a mark-to-market gain of $0.5 million in deficit in the unaudited pro forma condensed interim consolidated balance sheet; and

(e) financial advisory fees of $2.0 million and legal, regulatory, and accounting fees of $2.2 million have been expensed as transaction costs.

3. Rights Offering Adjustments

In conjunction with the closing of the Rights Offering, net proceeds of $49.5 million will be applied to repay any outstanding amounts drawn under the Brookfield Bridge Loan ($18.8 million payable as of the date hereof). Transaction costs associated with the Rights Offering have been estimated to be approximately $1.9 million. These costs are comprised of the Backstop Fee of $1.5 million, accounting, legal and regulatory filing fees of $0.4 million.

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Table of Contents

NAP AFTER THE ARRANGEMENT

The Arrangement is expected to substantially improve the capital structure of NAP by reducing the amount of outstanding debt by approximately $345.1 million on a consolidated basis. With a normalized capital structure, NAP will benefit from a reduction in the annual cash interest expense of approximately $36.0 million. See Unaudited Pro Forma Condensed Interim Consolidated Balance Sheet . Management of NAP believes that the Arrangement will enable NAP to continue to pursue its business plan. The Corporation expects to continue normal business operations at its LDI Mine and the Corporation s obligations to employees, trade creditors, equipment leases and suppliers will not be affected by the Recapitalization.

Share Capital

After the Arrangement is implemented, the authorized capital of NAP will consist of an unlimited number of New Common Shares. On the Effective Date, 49,495,656 New Common Shares are expected to be outstanding. Following completion of the Rights Offering, including the issuance of the Backstopped Shares and the Backstop Fee Shares, a maximum of 58,126,526 New Common Shares in the aggregate are expected to be outstanding.

The following table shows the effect of the Arrangement on NAP s consolidated capital structure:

		Pro Forma[1]
	March 31, 2015	March 31, 2015
	($ in millions, except ratios and percentages)	
Total cash	$ 10.4	$ 67.7
Total debt	305.6	48.0
Total net debt (cash), including current portion	295.2	(19.7)
Shareholders equity	189.2	504.4
Total capitalization	$ 484.4	$ 484.7
Ratios		
Total debt/equity	1.62	0.10
Total debt as a percentage of total capitalization	63.1%	9.9%

(1) See Unaudited Pro Forma Condensed Interim Consolidated Balance Sheet .

Debt

After the Arrangement is implemented, (i) the Indentures and all of the Debentures issued pursuant thereto will have been extinguished and terminated and there will not be any Debentures outstanding; and (ii) all of the debt owed by the Corporation to Brookfield under the Brookfield Existing Loan will be extinguished and terminated and the Brookfield Existing Loan will be terminated. The Corporation intends to use the net proceeds of the Rights Offering to fund repayment of any amounts owing under the Brookfield Bridge Loan and the ongoing operations and expansion at

the LDI Mine. The Corporation s total borrowed debt (consisting of the BNS Credit Agreement and obligations under finance leases) will be approximately $48.0 million after the Arrangement.

The following table shows the effect of the Arrangement on NAP s outstanding borrowed debt including the subsequent partial repayments of the BNS Credit Agreement in the Pro Forma After Arrangement column:

Table of Contents

	March 31, 2015	Pro Forma After Arrangement
	($ in millions)	
BNS Credit Agreement	42.3	30.3
Brookfield Existing Loan	205.5	Nil
Brookfield Bridge Loan	N/A	Nil
2012 Convertible Debentures	37.9	Nil
2014 Debentures and Warrants	2.2	Nil
Obligations under finance leases	17.7	17.7

Board of Directors

Following completion of the Arrangement, the current directors will resign from the Board and the Board will be reconstituted to consist of five (5) directors, including three (3) nominated by Brookfield, one (1) nominated by Debentureholders and one (1) independent director (as such term is construed under Applicable Securities Laws). It is anticipated that one (1) current director of the Corporation will continue to serve as an independent director following completion of the Arrangement. The members of the new Board will be identified prior to the Effective Date and announced by way of a news release.

The directors will hold office until the next annual meeting of the Corporation or until their successors are elected or appointed, unless the director resigns or the office becomes vacant through death or any other reason, in accordance with the by-laws of the Corporation. The directors will meet following completion of the Arrangement to determine committee membership**.**

Brookfield

Brookfield will own 92% of the outstanding New Common Shares upon completion of the Arrangement but prior to completion of the Rights Offering and the Arrangement will result in a change of control of the Corporation. Brookfield is an affiliate of Brookfield Asset Management, a public company listed on the TSX, New York Stock Exchange and Euronext exchanges with an equity market capitalization of more than $30 billion. Brookfield Asset Management is a global asset manager with approximately $200 billion of assets under management across private equity, real estate, renewable power and infrastructure asset classes.

Brookfield Asset Management has a long history in the mining sector which includes investments and operating experience in Noranda Inc., Falconbridge Limited, Westmin Resources Limited, Northgate Minerals Corporation, Hammerstone Corporation, Grande Cache Coal and Highvale Coal Limited Partnership.

PRICE RANGE AND TRADING VOLUME

The Common Shares are listed for trading on the TSX under the symbol PDL . The Common Shares were listed on the NYSE MKT under the symbol PAL until April 16, 2015. The following table sets out the reported high and low closing prices and trading volume of the Common Shares on the NYSE MKT and the TSX (as reported by Quotemedia) for the periods indicated:

89

Table of Contents

	NYSE MKT			TSX		
	High (US$)	**Low** (US$)	**Volume**	**High** ($)	**Low** ($)	**Volume**
2015						
June	N/A	N/A	N/A	0.05	0.04	7,654,965
May	N/A	N/A	N/A	0.075	0.05	12,192,490
April[(1)]	0.22	0.044	71,336,007	0.275	0.055	56,442,115
March	0.291	0.18	81,635,524	0.365	0.25	13,456,100
February	0.345	0.17	127,938,685	0.415	0.22	25,868,296
January	0.19	0.132	43,235,339	0.22	0.155	7,022,803
2014						
December	0.155	0.130	41,116,827	0.17	0.15	6,148,261
November	0.18	0.133	42,595,286	0.20	0.15	