



MANAGEMENT INFORMATION CIRCULAR

for:

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

THURSDAY, JUNE 15, 2017 AT 10:00 A.M. PDT

at the offices of:

**FASKEN MARTINEAU DuMOULIN LLP
SUITE 2900, 550 BURRARD STREET, VANCOUVER, BC**

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POLARIS MATERIALS CORPORATION

1. MANAGEMENT INFORMATION CIRCULAR

As at and dated April 28, 2017, for:

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

TO BE HELD AT 10:00 A.M. PDT ON THURSDAY, JUNE 15, 2017, AT:

THE OFFICES OF FASKEN MARTINEAU DuMOULIN LLP

SUITE 2900, 550 BURRARD STREET, VANCOUVER, BC

Polaris Materials Corporation (the “**Company**” or “**Polaris**”) has elected to use the notice and access procedures (“**Notice and Access**”) under National Instrument 51-102 – *Continuous Disclosure Obligations* and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) for the delivery of meeting materials to shareholders for the Annual General Meeting of the Company’s shareholders to be held on June 15, 2017 (the “**Meeting**”). Under the provisions of Notice and Access, shareholders received a separate notice (the “**Notice**”) containing information on how they can access the Company’s management information circular (the “**Circular**”) electronically instead of receiving a printed copy or how to receive a printed copy of the Circular. Together with the Notice, shareholders continue to receive a proxy (“**Proxy**”), in the case of registered shareholders, or a voting instruction form (“**VIF**”), in the case of non-registered shareholders, enabling them to vote at the Meeting. The Company adopted this alternative means of delivery in order to further its commitment to environmental responsibility and to reduce printing, distribution and mailing costs.

1.1 SOLICITATION OF PROXIES

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

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

1.2. PROXY INSTRUCTIONS

Shareholders who cannot attend the Meeting in person may vote by proxy, if a registered shareholder, or provide voting instructions as provided herein if a non-registered shareholder, either by mail, by phone or over the internet. Proxies and/or voting instructions must be received by Computershare Investor Services Inc., the Company’s transfer agent (“**Computershare**”) no later than 10:00 a.m. PDT on Tuesday, June 13, 2017 at its Toronto office, 8th Floor, 100 University Avenue, Toronto Ontario M5J 2Y1.

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

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

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

1.3. APPOINTMENT OF PROXYHOLDER

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

1.4. REVOCATION OF PROXIES

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

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

1.5. SPECIAL INSTRUCTIONS FOR VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered shareholders or duly appointed proxyholders are permitted to vote at the meeting. Some shareholders of the Company are "non-registered" shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. More particularly, a person is not a registered shareholder in respect of shares which

are held on behalf of the person (the “Non-Registered Shareholder”) but which are registered in the name of an intermediary (the “Intermediary”) that the Non-Registered Shareholder deals with in respect of the shares. Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or in the name of a clearing agency (such as The Canadian Depository of Securities Limited) of which the Intermediary is a participant.

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

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

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

If a NOBO wishes to attend the Meeting and vote in person (or have another person attend and vote on behalf of the NOBO), the NOBO should insert the name of the NOBO (or the name of the person that the NOBO wants to attend and vote on the NOBO’s behalf) in the space provided on the VIF and return it to Computershare in accordance with the instructions provided on the VIF. If Computershare or the Company receives a written request that the NOBO or its nominee be appointed as proxyholder, if management is holding a proxy with respect to common shares beneficially owned by such NOBO, the Company must arrange, without expense to the NOBO, to appoint the NOBO or its nominee as proxyholder in respect of those common shares. Under NI 54-101, unless corporate law does not allow it, if the NOBO or its nominee is appointed as proxyholder by the Company in this manner, the NOBO or its nominee, as applicable, must be given the authority to attend, vote and otherwise act for and on behalf of management in respect of all matters that come before the meeting and any adjournment or postponement of the meeting. If the Company receives such instructions at least one business day before the deadline for submission of proxies, it is required to deposit the proxy within that deadline, in order to appoint the NOBO or its nominee as proxyholder. If a NOBO requests that the NOBO or its nominee be appointed as proxyholder, the NOBO or its appointed nominee, as applicable, will need to attend the meeting in person in order for the NOBOs vote to be counted.

If an OBO wishes to attend the Meeting and vote in person (or have another person attend and vote on behalf of the OBO), the OBO should insert the OBO’s name (or the name of the person the OBO wants to attend and vote on the OBO’s behalf) in the space provided for that purpose on the request for voting instructions form and return it to the OBO’s intermediary or send the intermediary another written request that the OBO or its nominee be appointed as proxyholder. The intermediary is required under NI 54-101 to arrange, without expense to the OBO, to appoint the OBO or its nominee as proxyholder in respect of the OBO’s common shares. Under NI 54-101, unless corporate

law does not allow it, if the intermediary makes an appointment in this manner, the OBO or its nominee, as applicable, must be given authority to attend, vote and otherwise act for and on behalf of the intermediary (who is the registered shareholder) in respect of all matters that come before the meeting and any adjournment or postponement of the meeting. An intermediary who receives such instructions at least one business day before the deadline for submission of proxies is required to deposit the proxy within that deadline, in order to appoint the OBO or its nominee as proxyholder. If an OBO requests that the intermediary appoint the OBO or its nominee as proxyholder, the OBO or its appointed nominee, as applicable, will need to attend the meeting in person in order for the OBO's vote to be counted.

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

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

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

1.6. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at the date of this Circular, 88,454,686 common shares without par value were issued and outstanding, each such share carrying the right to one (1) vote at the Meeting. April 28, 2017 has been fixed by the directors of the Company as the record date for the purpose of determining those shareholders entitled to receive notice of and to vote at the Meeting.

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

Shareholder Name	Number of Common Shares Held	Percentage of Issued and Outstanding
Fidelity ¹	12,405,150	14.02%

Notes :

(1) "Fidelity" may include the following:

Fidelity Management & Research Company ("FMR Co."), 245 Summer Street, Boston, MA, 02210; FMR Co., Inc. ("FMR Co., Inc."), 245 Summer Street, Boston, MA, 02210; Fidelity Management Trust Company ("FMTTC"), 245 Summer Street, Boston, MA 02210; FIAM LLC ("FIAM LLC"), 900 Salem Street, Smithfield, RI, 02917; Fidelity Institutional Asset Management Trust Company ("FIAMTC") 900 Salem Street, Smithfield, RI, 02917; Strategic Advisors, Inc. ("SAI"), 245 Summer Street, Boston, MA 02210; FIL Limited ("FIL"), 42 Crow Lane, Pembroke, Bermuda; Crosby Advisors, LLC ("Crosby"), 11 Keewaydin Drive, Suite 200, Salem, New Hampshire 03079; Fidelity SelectCo, LLC ("SelectCo"), 1225 17th Street, Suite 1100, Denver, Colorado 80202; Fidelity (Canada) Asset Management ULC ("FCAM"), #100, 407 – 2nd Street SW, Calgary, AB T2P 2Y3

2. BUSINESS OF THE MEETING

2.1. FINANCIAL STATEMENTS

The financial statements for the fiscal year ended December 31, 2016 are contained in the 2016 Annual Report. These documents are available on the Company's website at www.polarismaterials.com as well as on SEDAR at www.sedar.com.

2.2. ELECTION OF DIRECTORS

The number of directors for the Company is set by ordinary resolution of the shareholders of the Company. Management of the Company is seeking shareholder approval of an ordinary resolution determining the number of directors of the Company at five (5) for the ensuing year. In September 2013, the Company adopted a majority voting policy such that procedures are now in place that require the resignation of a director should the director receive more "withheld" votes than "for" votes at any uncontested meeting of the Company's shareholders at which directors are elected. (See "Report on Corporate Governance - Majority Voting Policy").

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

Nominees for Election as a Director:

<p>Terrence A. Lyons, ICD.D</p> <p>British Columbia, Canada Independent Director Age: 67</p> <p>Principal Occupation: Corporate Director</p> <p>Common Shares: 25,000 Stock Options: 417,000 Deferred Share Units: 65,000</p>	<p>Mr. Lyons was appointed Chairman of the Company in June, 2011. Terry Lyons currently serves as the Lead Independent Director and Chairman of the Audit Committee of Canaccord Genuity Group Inc. as well as a Director of Canaccord's subsidiaries in the UK (Chairman), US, Australia and Asia. He is also a Director of several public and private corporations including Sprott Resource Holdings Inc. (Chairman) and Martinrea International Inc. (Audit Committee member). Mr. Lyons is a retired Managing Partner of Brookfield Asset Management, past Chairman of Northgate Minerals Corporation which was acquired by Aurico Gold (now Alamos) creating a new mid-cap gold company with a market value of over \$2.5 billion, past Chairman of Eacom Timber Corporation recently sold to a private equity firm for \$300 million, former Chairman of Westmin Mining and Vice-Chairman of Battle Mountain Gold. After 9 years he recently retired from the Board of Pavco (B.C. Pavilion Corporation) where he also chaired the Audit Committee.</p> <p>Terry is a Civil Engineer (UBC) with an MBA from the University of Western Ontario. He sits on the Advisory Board of the Richard Ivey School of Business and is active in sports and charitable activities, is a past Governor of the Olympic Foundation of Canada, past Chairman of the Mining Association of B.C., past Governor and member of the Executive Committee of the B.C. Business Council, Past Director of the Institute of Corporate Directors (BC) and in 2007 was awarded the INCO Medal by the Canadian Institute of Mining and Metallurgy for distinguished service to the mining industry.</p>	
<u>Board and Committees</u>	<u>Date Joined</u>	<u>Attendance at Meetings during 2016</u>
Board of Directors	April 2004	7 of 7
Audit Committee	May 2004	4 of 4

Eugene P. Martineau

Florida, USA
Independent Director
Age: 76

Principal Occupation:
Principal, Martineau and
Associates Consulting

Common Shares: 20,000
Stock Options: 300,000
Deferred Share Units: 65,000

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

<u>Board and Committees</u>	<u>Date Joined</u>	<u>Attendance at Meetings during 2016</u>
Board of Directors	March 2010	7 of 7
Audit Committee	March 2010	4 of 4
Governance, Compensation and Nominating Committee	March 2010	1 of 1

Marco A. Romero

British Columbia, Canada
Independent Director
Age: 55

Principal Occupation:
President & CEO of
Euro Manganese Inc.

Common Shares: 196,488
Stock Options: 448,000
Deferred Share Units: 65,000

Mr. Romero is an entrepreneur and developer with 38 years of diversified international experience in the mining and construction materials industries. He is currently President and CEO of Euro Manganese Inc. He has held senior leadership roles in mineral exploration, environmental permitting, project development and mining operations, as well as mergers, acquisitions, finance and corporate development. Mr. Romero is the founder of Polaris Materials Corporation and served as its President and CEO from 1999 to 2008. He was previously the founder, President and CEO of Delta Gold Corporation, Senior Vice President of Corporate Development for Ivanhoe Mines Ltd., and a co-founder and Executive Director of Eldorado Gold Corporation.

<u>Board and Committees</u>	<u>Date Joined</u>	<u>Attendance at Meetings during 2016</u>
Board of Directors	May 1999	7 of 7
Governance, Compensation and Nominating Committee	June 2012	1 of 1

**Herbert G. A. Wilson, B.Sc.,
F.I.Q.**

Ontario, Canada
Related Director
Vice-Chairman
Age: 66

Principal Occupation:
Vice-Chairman of the Company

Common Shares: 353,825
Stock Options: 903,750

Mr. Wilson has over 40 years of experience in the development and operation of construction materials and industrial minerals operations. Mr. Wilson joined the Company in 2001, was its president and CEO from 2009 to 2015 prior to which he was President of United States Lime & Minerals Inc., a NASDAQ-listed public company producing lime products and construction materials from limestone quarries located in the south-central states. From 1992 to 1998, he was a founding director and Executive Vice-President and Chief Operating Officer of Global Stone Corporation, a Toronto-listed public company producing construction aggregates and lime products. He is a director of Hudson Resources Inc.

<u>Board and Committees</u>	<u>Date Joined</u>	<u>Attendance at Meetings during 2016</u>
Board of Directors	July 2008	7 of 7

**Lenard F. Boggio, FCPA, FCA,
ICD.D**

British Columbia, Canada
Independent Director
Age: 62

Principal Occupation:
Corporate Director

Common Shares: 10,000
Stock Options: 250,000
Deferred Share Units: 65,000

Mr. Boggio is a finance professional and was an audit and assurance partner of PricewaterhouseCoopers LLP, where he led the firm's BC Mining Group prior to his retirement in 2012. He is a current and past board member of numerous private and public companies, including his current appointments to the Boards of Sprott Resource Holdings Inc., Lithium Americas Corp., Pure Gold Mining Inc., BC Hydro Corporation (a Crown owned Corporation) and Genome British Columbia (a not for profit organization). He is a past President of the BC Institute of Chartered Accountants and the current Chair of the Canadian Institute of Chartered Accountants and is a current Commissioner of the Financial Institutions Commission of British Columbia.

<u>Board and Committees</u>	<u>Date Joined</u>	<u>Attendance at Meetings during 2016</u>
Board of Directors	April 2013	6 of 7
Audit Committee	April 2013	3 of 4
Governance, Compensation and Nominating Committee	April 2013	1 of 1

Corporate Cease Trade Orders and Bankruptcies

Except as set out below in respect of Terry A. Lyons and Lenard F. Boggio, no proposed director of the Company:

- a) is, as of the date of this Circular, or has been, within ten years before the date of this Circular, a director, chief executive officer or chief financial officer of a company (including the Company) that
 - i. was subject to an order (a cease trade order, order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

- ii. was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- b) is, at the date of this Circular, or has been within ten years before the date of this Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to holds its assets; or
- c) has, within ten years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Terrence A. Lyons was the President and a director of FT Capital Ltd. ("FT") which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Manitoba, Ontario and Quebec for failure to file financial statements for the financial year ended December 31, 2001 and subsequent periods. At the request of Brascan Financial Corporation (now Brookfield Asset Management Inc. ("Brookfield")), Mr. Lyons joined the board of FT and was appointed its President in 1990 in order to assist in its financial restructuring. In June 2009, FT was wound up and Mr. Lyons resigned as a director.

Mr. Lyons was also a director of Royal Oak Ventures Inc. ("Royal Oak") at the request of Brookfield, which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Ontario and Quebec due to the failure of Royal Oak to file financial statements since the financial year ended December 31, 2003. After restructuring, the cease trade orders were lifted on July 4, 2012. Royal Oak was privatized by Brookfield effective December 31, 2013 and Mr. Lyons resigned as a director.

Mr. Lyons was elected to the board of directors of Royal Oak and FT Capital Ltd. because of his valuable experience and expertise in financial restructurings in the insolvency context.

Lenard F. Boggio was a director of Great Western Minerals Group Ltd. ("GWMG") from January 2013 until his resignation together with all the then current directors in July 2015. On April 30, 2015, GWMG announced that a support agreement was entered into with the holders of a majority of GWMG's secured convertible bonds and GWMG was granted protection from its creditors under the CCAA upon receiving an initial order from the Ontario Superior Court of Justice Commercial List. On May 11, 2015, an order was issued by the Financial and Consumers Affairs Authority of the Province of Saskatchewan that all trading in the securities of GWMG be ceased due to its failure to file financial statements for the year ended December 31, 2014. In December 2015, the Monitor of GWMG issued a press release announcing that it had filed an assignment in bankruptcy on behalf of GWMG.

Penalties and Sanctions

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

2.3. APPOINTMENT OF AUDITORS

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

3. STATEMENT OF EXECUTIVE COMPENSATION

3.1. COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

The year ended December 31, 2016 was a demanding year for the Company. Operationally, the Company commenced sales at the Long Beach terminal and continued to reduce unit costs at the Orca quarry. Improvements in these areas were offset by costs related to the start-up of the Long Beach terminal, foreign exchange losses and non-recurring items including costs related to the management transition at the Company's Orca Quarry, resulting in a net loss for the year. The Company suspects that these challenging factors combined to depress the price of Polaris' shares.

At the same time, the Board believes that management demonstrated strong operating and development results by achieving or exceeding targets such as the commencement of operations at Long Beach and the advancement of the Black Bear project. The disconnect between share price performance and operating performance made 2016 a particularly difficult year in which to make executive compensation decisions. In full consideration of the relevant factors, and to align with the challenging conditions, the Board is electing to make changes to better align the Company's practices with best practices in corporate governance.

- **Adopt changes to annual short-term incentives in 2017**

Polaris felt it was necessary to undertake a comprehensive review of its short-term incentive plan and practices to ensure they continue to satisfy the objectives of the program and align with emerging best practices in corporate governance. The key change Polaris is making is the adoption of a performance compensation plan that aligns high level corporate goals with individual performance based on pre-determined and approved targets or objectives on which annual bonus award amounts are determined.

- **Introduce a Clawback Policy in 2017**

In the United States, clawback rules relating to erroneously awarded compensation are mandated under both the Sarbanes-Oxley Act and the Dodd-Frank Act. Although no similar legislation currently exists in Canada, Polaris has noted that peer organizations have adopted a clawback policy and that doing so has become a governance best practice. Accordingly, Polaris has adopted a new clawback policy for its officers and executives that provides for the recoupment of both cash and equity-based incentive compensation where: (i) an officer or executive has engaged in fraud or intentional illegal misconduct, (ii) the fraud or intentional illegal misconduct has resulted in a material restatement of the Company's financial results or a material error in the Company's financial results, and (iii) the restatement of the Company's financial results would have resulted in lower performance-based compensation than what was actually paid or awarded to the officer or executive if such performance-based compensation was calculated based on the restated financial results (the "Restated Compensation"). In such an event, the Board shall seek to recover from the officer or executive the after-tax difference between the performance-based compensation paid or awarded to the officer or executive and the Restated Compensation.

Polaris continues to believe that its success is dependent on its ability to attract, retain and motivate a dedicated group of high performing employees, top management and quality directors. Accordingly, the Company's compensation programs are designed to be competitive within the marketplace, to reward employees and management for achievements and duration of service to the Company and to promote alignment of interests between the directors, officers and employees of the Company and the shareholders of the Company. The existing features of the Company's compensation programs, as well as the new features the Company is adopting going forward, have been designed to foster decisions and actions that result in the Company's growth and in the creation of both near-term and long-term shareholder value.

Compensation Methodology

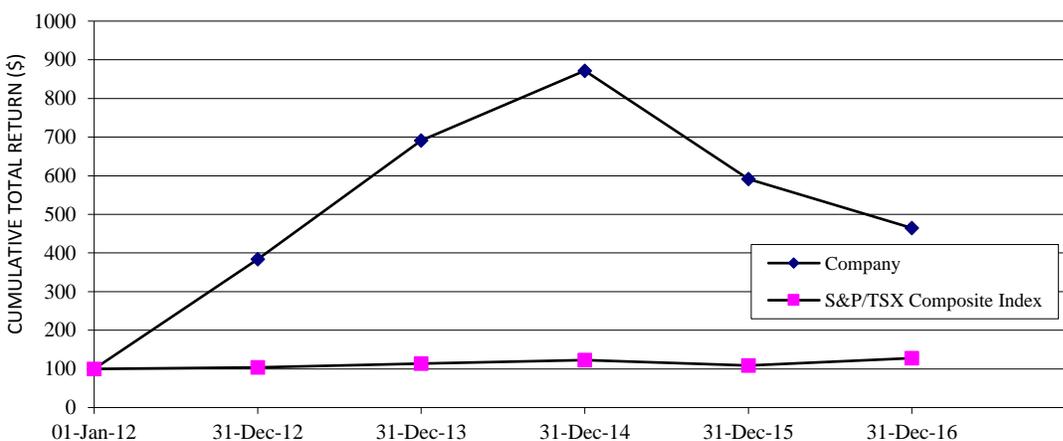
The Board makes decisions regarding salaries, annual bonuses and equity incentive compensation for the executive officers (including the CEO) and approves corporate goals and objectives relevant to their respective compensation. With respect to the performance and compensation of executive officers other than the CEO, the Board solicits input from the CEO and the Governance, Compensation and Nominating Committee (referred to in this section 3.1 Compensation Discussion and Analysis as the “Compensation Committee”). With respect to the compensation of the CEO, the Board solicits input from the Compensation Committee alone.

As part of the compensation review process, the Compensation Committee relies on input from management and market information provided by Roger Gurr and Associates, an independent compensation consultant. The Company’s goal is to target pay at a compensation level relative to its peer group for base salary, total cash and total direct compensation for the executive roles within the Company. Notwithstanding the foregoing, some key positions are adjusted due to the experience, scope, demand for and contribution of the particular individual.

As part of the Company’s process of determining executive compensation, each position is benchmarked. This benchmarking process is used to provide guidance on base salary, annual bonus and long-term incentive grants. Management then makes recommendations to the Compensation Committee, based on tenure with the company, skills required for each role, and the performance contribution of each executive. The Compensation Committee then reviews the recommendations and if appropriate makes a recommendation to the Board for approval. In the case of the CEO, the Compensation Committee reviews the relevant industry and peer group data and also assesses the overall performance of the Company prior to determining its recommendation to the Board related to CEO compensation.

Performance graph

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



	Investment	January 1, 2012	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
Company	\$100.00	\$100.00	\$384.00	\$691.20	\$871.68	\$591.36	\$464.64
S&P/TSX Composite Total Return Index	\$100.00	\$100.00	\$104.00	\$113.94	\$122.40	\$108.83	\$127.88

Compensation In Relation To Shareholder Return

During the comparative five year period from 2012 to 2016, total shareholder return for shares of the Company exceeded the S&P/TSX Composite Total Return Index (the “TSX Composite”). During the period from 2012 to 2014 the Company’s share price saw a significant increase relative to the TSX Composite. More recently, in 2015 and 2016, the Company’s share price underperformed the TSX Composite. As the Company has a smaller market capitalization and higher risk profile than an average company included in the TSX Composite, the Company’s share price has been more volatile than that of the TSX Composite.

The earlier unprecedented economic and market challenges faced by the Company, along with its liquidity position, made it appropriate for Polaris to conserve cash in all areas and operate with the minimum possible overhead. No annual incentive bonuses were paid in 2012 and 2013 although modest bonuses were paid on December 31 of each year together with “cost of living” increases in executive base salaries implemented with an effective date of July 1 of each year. The Company implemented salary adjustments during 2014 and paid incentive bonuses in December 2014, although both of these were below the target levels derived from the benchmarking study of Roger Gurr & Associates. In 2015 and 2016, the Company implemented salary adjustments due to management restructurings and also paid bonuses which were below contracted target levels or the recommendations of the study by Roger Gurr & Associates.

Elements of Executive Compensation

The elements of the compensation structure for Named Executive Officers (“NEOs” as defined under *Summary Compensation Table* below) include base salary, annual bonus awards, milestone bonuses, incentive stock options, retirement plan contributions, participation in health and benefit plans, and other nominal perquisites. All salary increases, cash bonuses and stock-based compensation for the NEOs and other executive officers have been reviewed, considered and approved by the Compensation Committee and, in turn, the Board. The review process includes an analysis relative to the Company’s peer group, to match peer group data for similar job descriptions, with the goal of aligning compensation to the peer group in order to attract and retain qualified and experienced personnel. Further adjustments to compensation are made based on individual performance.

Peer Group

The Compensation Committee, in conjunction with the Board, periodically performs a peer group review for the purposes of assessing the competitiveness of the Company’s compensation programs and policies, establishing target incentives, determining total compensation (base salary, annual short-term incentives and long-term incentives) for each of the executive officers. In 2014 Roger Gurr and Associates performed an independent review of the Company’s peer group and reported the results to the Compensation Committee, which was subsequently confirmed by the Board. A group of eighteen companies was accepted by the Board, for benchmarking purposes. Polaris represents a somewhat unique entity amongst North American public companies and therefore the comparator group was selected by considering a number of parameters that included market capitalization, operational status, revenue and employee numbers and reporting issuer status. The results of the review and recommendations arising were presented at the Company’s annual Compensation Committee meeting in June 2014.

2014 Comparator Group

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

Base salary

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

Annually, the Company's CEO provides recommendations to the Compensation Committee regarding potential base salary changes for all NEOs. These recommendations by the CEO, together with those arising from the Roger Gurr & Associates 2014 report guide the Compensation Committee in determining the amount of base salary for each NEO.

Annual Short-Term Incentive Compensation

The annual short-term incentive compensation program provides for cash awards, which are intended to motivate and reward the Company's employees, including NEOs. Prior to 2017, the amount of the cash award or "bonus" was determined by reference to a target percentage of base salary (benchmarked to the peer group). Annually, the Company's CEO would provide recommendations to the Compensation Committee regarding potential annual bonus awards for all employees, including NEOs. Based on these recommendations, and at its discretion, the Compensation Committee would determine the amount of annual bonuses, if any, to be awarded to each employee. For 2016 the Company had not yet established corporate or individual pre-determined and approved targets or objectives on which to base the determination of annual bonus award amounts.

Changes relating to Short-Term Annual Incentives for 2017

Over the past several months, the Compensation Committee reviewed the Company's short-term annual incentive plan and practices. As a result of this review, Polaris is effecting changes to its annual bonus plan by adopting and implementing a performance compensation plan (the "Performance Comp Plan") in 2017. The Performance Comp Plan aligns high level corporate goals with individual performance based on pre-determined and approved targets or objectives on which annual bonus award amounts are determined. The changes include corporate performance measured using targets related to various operational, health and safety, financial, pace of project development and marketing achievements.

The Performance Comp Plan has been designed with several goals in mind:

- The Performance Comp Plan should function as a tool to align corporate goals with individual performance
- Tie executive and senior management pay to the overall short-term performance of the Company
- Reward employees who outperform in their job and contribute to creating value for shareholders and reduce short-term incentive compensation where there is underperformance
- Provide a competitive total compensation package
- Maintain a portion of discretionary compensation to account for difficult to quantify factors
- Enable a periodic (quarterly) review of employee's performance on their target objectives

The Performance Comp Plan has been structured so that employees are provisionally placed into pay grades based on salary to allow for a more systematic approach to compensation. These grades are then assigned targets related to operational, health and safety, financial, pace of project development and marketing achievements and maximum performance bonus levels. Separately, a maximum bonus pool allocation is determined based on a target percent of earnings before interest, tax and depreciation ("EBITDA") for various levels of performance. These measures more closely align annual bonuses with short-term performance of the Company by providing covered employees with direct exposure to improvements in the business. For EBITDA below target, participants receive a declining proportion of EBITDA. Individual bonus calculations are determined with criteria differing for each role, combined with proximity to direct decision making impact on EBITDA, and are structured in a way that incentivizes employees to work toward overall corporate targets.

Milestone Bonuses

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

Incentive Stock Options

Annually, the Company's CEO provides recommendations to the Compensation Committee regarding potential incentive stock options grants for all NEOs. The CEO's recommendations are based on an evaluation of each NEO's performance, the number of incentive stock options available to be granted, the number of options previously granted to each NEO and the market value of the Company's common shares. Based on the CEO's recommendations, which are reviewed by Roger Gurr & Associates, the Compensation Committee then makes its recommendations to the Board with regard to the potential granting of options, including the number of options to be granted, grant date and vesting terms. All option grants are approved by the Board in accordance with the Company's option plans. Because of the Company's stock market performance during the period of severe recession, many of the currently outstanding stock options remain 'out of the money'.

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

black-out at which time the grant date of such options is set at two full trading days after the conclusion of the trading black-out in accordance with the corporate disclosure policy.

Retirement plan contributions, health and benefit plans, and other perquisites

The Company matches employee contributions, up to three or five percent, in a Company-provided group Registered Retirement Savings Plan (“RRSP”) for Canadian employees and up to six percent in a Company-provided 401(k) for American employees (collectively referred to as retirement plan contributions). This benefit is offered to all permanent full time employees of the Company and its subsidiary companies. Participation is voluntary to all employees.

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

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

Compensation Governance

The Company’s Compensation Committee is comprised of three directors; Marco A. Romero (Chair), Eugene P. Martineau, and Lenard F. Boggio, all of whom are independent directors.

The Compensation Committee is charged with establishing a remuneration and benefits plan for directors, executives and other key employees. To that end, the Compensation Committee is responsible for establishing the Company’s general compensation philosophy, overseeing the development and implementation of compensation programs, review and approve corporate goals and objectives relevant to the compensation of the CEO and evaluate the performance of the CEO in light of those goals and objectives, and to recommend stock option grants to the Board for approval. The Compensation Committee has based its executive compensation decisions upon both the recommendations of the Company’s President and CEO and the recommendations provided by Roger Gurr & Associates.

Members of the Compensation Committee have gained experience in executive compensation matters through their roles as senior executives in industry and/or directors of numerous organizations and have direct experience in establishing and operating executive and corporate compensation programs. Further information regarding the skills and experience of each member of the Compensation Committee is set out under “Business of the Meeting – Election of Directors.”

Polaris first engaged the services of Roger Gurr & Associates, an independent compensation consultant, in 2007 for the purpose of establishing an executive compensation policy. In January 2014, Polaris retained Roger Gurr & Associates to review and make recommendations regarding executive compensation in view of the Company’s improving financial circumstances and reliance on a small group of executive managers. In 2015, Roger Gurr & Associates was engaged for the purpose of establishing a revised equity compensation policy following the Company’s previous option plan not obtaining shareholder approval at the annual general and special meeting of the shareholders of the Company held on June 9, 2015. Pursuant to Roger Gurr & Associates’ recommendations, at the annual general and special meeting of the shareholders of the Company held on June 7, 2016, shareholders were asked to pass resolutions to approve the 2016 Option Plan and the DSU Plan (each as defined below).

The aggregate fee billed for professional services rendered by Roger Gurr & Associates, an independent compensation consultant, for the years ended December 31, 2016 and 2015 were as follows:

Fiscal year ended December 31,	<u>2016</u>	<u>2015</u>
Executive Compensation-Related Fees	CAD\$3,500	CAD\$23,000
All Other Fees	Nil	Nil
Total Fees	CAD\$3,500	CAD\$23,000

Compensation Risk Mitigation

The Company's executive compensation structure is currently comprised of simple and straightforward elements that carry little risk which would or might cause the NEOs to take risks that are inappropriate to or would have an adverse effect on the Company. The Compensation Committee reviews the Company's compensation policies and practices, taking into consideration any associated risks, as well as each compensation component (base salary, short-term incentives, annual bonuses, and long-term incentives). Several existing practices assist in the management of compensation risk, including the following:

- Mixture of short-term and long-term variable incentive programs;
- Inclusion of compensation criteria that are based on non-financial measures, such as operational performance and health and safety performance; and
- Adoption of a clawback policy that provides for the recoupment from officers and executives of both cash and equity based incentive compensation where fraud or intentional illegal misconduct results in a material restatement of financial results.

The Company does not have a policy with regard to NEO and director purchases of financial instruments designed to hedge or offset a decrease in the market value of Company securities held by NEOs and directors.

3.2. SUMMARY OF COMPENSATION

Currency

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

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

For the year ended December 31, 2016	Q1-2016	CAD\$1.00 = US\$ 0.7277
	Q2-2016	CAD\$1.00 = US\$ 0.7762
	Q3-2016	CAD\$1.00 = US\$ 0.7665
	Q4-2016	CAD\$1.00 = US\$ 0.7495
For the year ended December 31, 2015	Q1-2015	CAD\$1.00 = US\$0.8057
	Q2-2015	CAD\$1.00 = US\$0.8136
	Q3-2015	CAD\$1.00 = US\$0.7639
	Q4-2015	CAD\$1.00 = US\$0.7490

For the year ended December 31, 2014	Q1-2014	CAD\$1.00 = US\$0.9059
	Q2-2014	CAD\$1.00 = US\$0.9173
	Q3-2014	CAD\$1.00 = US\$0.9181
	Q4-2014	CAD\$1.00 = US\$0.8801

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

2016	CAD\$1.00 = US\$0.7448
2015	CAD\$1.00 = US\$0.7193
2014	CAD\$1.00 = US\$0.8620

Fair Value

The fair value of options granted is established in accordance with International Financial Reporting Standards, IFRS 2 using the Black-Scholes option pricing model.

During 2016, the Company granted options with the following assumptions:

Average risk free rate:	0.60%
Expected life:	5 years
Expected volatility:	81.0%
Expected dividends:	None

During 2015, the Company granted options with the following assumptions:

Average risk free rate:	0.64%
Expected life:	5 years
Expected volatility:	85.4%
Expected dividends:	None

During 2014, the Company granted options with the following assumptions:

Average risk free rate:	1.60%
Expected life:	5 years
Expected volatility:	84.8%
Expected dividends:	None

3.3 SUMMARY COMPENSATION TABLE

The following table provides a summary of compensation paid, directly or indirectly, to the following persons, collectively, the Named Executive Officers or NEOs, for the three most recently completed financial years ending December 31, 2016:

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

Name and principal position	Year	Salary (US\$)	Share-based Awards (US\$)	Option-based Awards (US\$)	Non-Equity incentive plan compensation (US\$)		Pension Value (US\$)	All other compensation (US\$)	Total compensation (US\$)
					Annual incentive plans (Annual Bonus Awards)	Long-term incentive plans (Milestone Bonuses)			
Kenneth M. Palko, President & CEO	2016	264,272	n/a	160,922	29,792	n/a	n/a	13,212	468,198
	2015	200,699	n/a	-	21,675	n/a	n/a	10,082	232,456
	2014	200,938	n/a	156,064	28,446	n/a	n/a	10,049	395,016
Darren K. McDonald, Vice President Finance, CFO & Corporate Secretary	2016	215,941	n/a	96,553	22,344	n/a	n/a	10,796	345,634
	2015	171,479	n/a	-	18,063	n/a	n/a	9,495	199,037
	2014	198,522	n/a	156,064	28,446	n/a	n/a	9,929	392,486
Scott W. Dryden, Vice President Operations	2016	186,879	n/a	96,553	18,620	n/a	n/a	-	302,052
	2015	158,142	n/a	-	14,450	n/a	n/a	-	172,592
	2014	63,610	n/a	117,373	8,620	n/a	n/a	-	189,603
Nicholas Van Dyk, Vice President Investor Relations and Corporate Development	2016	112,219	n/a	64,369	14,896	n/a	n/a	4,697	196,181
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Robert McIntosh, General Manager Eagle Rock Aggregates, Inc.	2016	144,000	n/a	64,368	12,000	n/a	n/a	18,000	238,638
	2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes to Summary Compensation Table – Conversion Methods

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

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

Non-equity incentive compensation (annual bonus awards and milestone bonuses) paid in CAD\$ are translated to US\$ using the appropriate three-month average exchange rate as identified earlier in *Currency*. No milestone bonuses were awarded in 2016.

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

Kenneth M. Palko
President and Chief Executive Officer

On December 14, 2007, the Company entered into an employment agreement with Kenneth M. Palko pursuant to which Mr. Palko was appointed Vice President, Technical Services of the Company effective February 18, 2008.

Mr. Palko was appointed as the Company’s Chief Executive Officer on October 1, 2015. His employment agreement provides for an annual base salary subject to annual adjustments, and an annual bonus, if any, with a target award of up to 50% of salary subject to approval by the Board of Directors.

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

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

Year	Base Salary (CAD\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (CAD\$)	Milestone Bonuses (CAD\$)	All Other Compensation (CAD\$)
2016	350,000	250,000	40,000	n/a	17,500
2015	257,500	-	30,000	n/a	12,875
2014	222,000	100,000	33,000	n/a	11,100

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

Darren K. McDonald
Vice President, Finance, Chief Financial Officer & Corporate Secretary

Mr. McDonald joined the Company in January 2009 in the position of Controller. In May 2011, he was appointed Vice President, Finance.

In December 2012, Mr. McDonald was appointed the Company’s Chief Financial Officer. On October 1, 2015, Mr. McDonald also became Company Secretary. His employment agreement provides for an annual base salary subject to annual adjustments, and an annual bonus, if any, with a target award of up to 40% of salary subject to approval by the Board of Directors.

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

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

Year	Base Salary (CAD\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (CAD\$)	Milestone Bonuses (CAD\$)	All Other Compensation (CAD\$)
2016	286,000	150,000	30,000	n/a	14,300
2015	242,500	-	25,000	n/a	12,125
2014	219,350	100,000	33,000	n/a	10,968

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

Scott W. Dryden
Vice President, Operations

On July 11, 2014, the Company entered into an employment agreement with Scott W. Dryden pursuant to which Mr. Dryden was appointed Vice President, Business Development commencing on August 15, 2014. The agreement also included the reimbursement of re-location and moving expenses up to a maximum of CAD\$50,000 which was paid in 2014.

On October 1, 2015 Mr. Dryden's responsibilities were expanded to include management of Eagle Rock Aggregates Inc. and the Company's Orca Quarry and his title changed to Vice President, Operations. His employment agreement provides for an annual base salary subject to annual adjustments, and an annual bonus, if any, with a target award of up to 30% of salary subject to approval by the Board of Directors.

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

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

Year	Base Salary (CAD\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (CAD\$)	Milestone Bonuses (CAD\$)	All Other Compensation (CAD\$)
2016	247,500	150,000	25,000	n/a	Nil
2015	202,500	-	20,000	n/a	Nil
2014	71,250	85,000	10,000	n/a	44,630 ¹

(1) In 2014, All Other Compensation was the cost reimbursed for relocation.

Nicholas Van Dyk
Vice President, Investor Relations and Corporate Development

Mr. Van Dyk joined the Company in February 2016. Prior to joining Polaris, Mr. Van Dyk founded Revelation Financial Inc., an independent financial and strategic advisory firm, and previously worked in the investment banking division of a Canadian chartered bank. Mr. Van Dyk has over 10 years' experience in investor relations, capital markets and corporate finance. Mr. Van Dyk holds the Chartered Financial Analyst® designation and is a member of the CFA Institute and the Canadian Investor Relations Institute.

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

Year	Base Salary (CAD\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (CAD\$)	Milestone Bonuses (CAD\$)	All Other Compensation (CAD\$)
2016	148,017	100,000	20,000	n/a	6,221

Robert McIntosh
General Manager, Eagle Rock Aggregates, Inc.

Mr. Robert G. McIntosh joined the Company in October 2015 as General Manager, California Operations for Eagle Rock Aggregates, Inc. Mr. McIntosh has a degree in Mechanical Engineering from the University of Melbourne and an MBA from the Darden School at the University of Virginia, and has held various management positions in manufacturing and construction materials industries. Most recently he was President of Landing Way Depot, Inc., the marine aggregate operation for Shamrock Materials, Inc., an early customer for Polaris. Prior to this he was President of Haeger, Inc., a manufacturer of specialty machine tools, and ran operations for FMC Corporation and Cummins Inc.

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

Year	Base Salary (US\$)	Number of Option Based Awards (Incentive Stock Options) Granted	Annual Bonus Awards (US\$)	Milestone Bonuses (US\$)	All Other Compensation (US\$)
2016	144,000	100,000	12,000	n/a	18,000

3.4. LONG-TERM INCENTIVE PLANS

Prior to 2016 the Company granted incentive stock options (the “Old Options”) pursuant to its stock option plan last amended and restated as of May 16, 2006 (the “Original Option Plan”). At the annual general and special meeting of the shareholders of the Company held on June 7, 2016, the Company’s shareholders approved a new incentive stock option plan (the “2016 Option Plan”) as a replacement for the Original Option Plan. As the 2016 Option Plan does not allow for grants to independent directors, the Company’s shareholders also approved a deferred share unit plan (the “DSU Plan”) to provide an equity incentive component to the independent directors’ total compensation package. For further details of the DSU Plan refer to section 4 “Director Compensation - DSU Plan.”

Original Option Plan

Historically the Company granted Old Options pursuant to the Original Option Plan. The Board ceased granting Old Options under the Original Option Plan in 2015. All Old Options granted under the Original Option Plan have fully vested. The Company has ceased granting any Old Options and any Old Options that were previously granted under the Original Option Plan are administered by the Board.

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

The Original Option Plan reserved a maximum of 10% of the issued and outstanding common shares pursuant to Old Options granted under the Original Option Plan. As of the date hereof, Old Options to acquire an aggregate of 4,224,833 shares are outstanding under the Original Option Plan, representing approximately 4.8% of the issued and outstanding common shares. Old Options which have expired, were cancelled or otherwise terminated without having been exercised, and those which have been exercised, are not available for subsequent grants under the Original Option Plan as at this time, no further grants are permitted under the Original Option Plan.

The Original Option Plan provided that the Board may, from time to time, grant options to acquire all or part of the common shares subject to the Original Option Plan to directors, officers, advisors, employees, and other persons or companies engaged to provide ongoing services to the Company. The Old Options are non-assignable and non-transferable other than by will or by laws governing the devolution of property in the event of death. Each Old Option entitles the holder to purchase one common share. The exercise price for Old Options granted pursuant to the Original Option Plan was determined by the Board on the date of the grant, which price may not be less than the market value. Market value is defined under the Original Option Plan as the closing price of the common shares on the Toronto Stock Exchange (the "TSX") on the trading day immediately preceding the grant day and, if there is no closing price, the price of last sale prior thereto. The term of the Old Options granted was determined by the Board, which term may not exceed a maximum of ten years from the date of the grant. The Board also had the authority to determine the vesting conditions of the Old Options and certain other terms and conditions of the Old Options. Old Options granted under the Original Option Plan may be exercised as soon as they have vested. The Original Option Plan did not contemplate that the Company provide financial assistance to any optionee in connection with the exercise of options.

In accordance with the rules of the Original Option Plan, Old Options granted under the Original Option Plan are subject to certain restrictions which include:

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

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

In the event that the Company:

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

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

In addition, the Original Option Plan and any outstanding Old Options may be amended or terminated by the Board if the amendment or termination is required by any securities regulatory, a stock exchange or a market as a condition of approval to a distribution to the public of the common shares or to obtain or maintain a listing or quotation of the common shares.

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

The foregoing summary is subject to the specific provisions of the Original Option Plan.

2016 Option Plan

The purpose of the 2016 Option Plan is to attract and retain superior directors (other than non-employee directors), officers, advisors, employees and other persons or companies engaged to provide ongoing services to the Company as incentive for such persons to put forth maximum effort for the continued success and growth of the Company and, in combination with these goals, to encourage their participation in the performance of the Company.

The 2016 Option Plan reserves for issuance pursuant to incentive stock options granted under the 2016 Option Plan ("New Options"), when taken together with common shares reserved for issuance pursuant to all of the Company's security based compensation arrangements then either in effect or proposed, a maximum of 10% of the issued and outstanding common shares. As of the date hereof, New Options to acquire an aggregate of 1,159,000 shares are outstanding under the 2016 Option Plan, representing approximately 1.3% of the issued and outstanding common shares. New Options which have expired, were cancelled or otherwise terminated without having been exercised, and those which have been exercised, are available for subsequent grants under the 2016 Option Plan.

The 2016 Option Plan provides that the Board may, from time to time, grant New Options to acquire all or part of the common shares subject to the 2016 Option Plan to directors (other than non-employee directors), officers, advisors, employees, and other persons or companies engaged to provide ongoing services to the Company or a related entity of the Company. The New Options are non-assignable and non-transferable other than by will or by laws governing the devolution of property in the event of death. Each New Option entitles the holder to purchase one common share. The exercise price for New Options granted pursuant to the 2016 Option Plan is determined by the Board on the date of the grant, which price may not be less than the market value. Market value is defined under the 2016 Option Plan as the closing price of the common shares on the TSX on the trading day immediately preceding the grant day and, if there is no closing price, the price of the last sale prior thereto. The term of the New Options granted is determined by the Board, which term may not exceed a maximum of ten years from the date of the grant. If a New Option expires during a black-out period, then the New Option shall expire 10 business days after

the black-out period is lifted by the Company. The Board also has the authority to determine the vesting conditions of the New Options and certain other terms and conditions of the New Options. New Options granted under the 2016 Option Plan may be exercised as soon as they have vested. The 2016 Option Plan does not contemplate that the Company will provide financial assistance to any optionee in connection with the exercise of New Options.

In accordance with the rules of the 2016 Option Plan, New Options granted under the 2016 Option Plan are subject to certain restrictions which include:

- a) The number of common shares which may be reserved for issuance pursuant to New Options granted under the 2016 Option Plan to any one person in any one year may not exceed 5% of the common shares issued and outstanding on a non-diluted basis from time to time;
- b) The number of common shares which may be reserved for issuance pursuant to the 2016 Option Plan (or any other share compensation arrangement) to all insiders of the Company may not exceed 10% of the issued and outstanding common shares on a non-diluted basis from time to time; and
- c) The number of common shares which may be issued pursuant to the 2016 Option Plan (or any other share compensation arrangement) to all insiders of the Company within a one-year period may not exceed 10% of the issued and outstanding common shares on a non-diluted basis from time to time.

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

In the event that the Company:

- a) subdivides, consolidates or reclassifies the Company's outstanding common shares, or makes another capital adjustment or pays a stock dividend, the number of common shares receivable under the 2016 Option Plan will be increased or decreased proportionately; or
- b) amalgamates, consolidates with or merges with or into another body corporate, holders of New Options under the 2016 Option Plan will, upon exercise thereafter of such New Option, be entitled to receive and compelled to accept, in lieu of common shares, such other securities, property or cash which the holder would have received upon such amalgamation, consolidation or merger if the New Option was exercised immediately prior to the effective date of such amalgamation, consolidation or merger.

Subject, where required, to the approval of the TSX, and/or applicable securities regulatory authorities, the Board may, from time to time, amend, suspend or terminate the 2016 Option Plan in whole or in part. In addition, the 2016 Option Plan and any outstanding New Options may be amended or terminated by the Board if the amendment or termination is required by any securities regulatory, a stock exchange or a market as a condition of approval to a distribution to the public of the common shares or to obtain or maintain a listing or quotation of the common shares.

The Board may also, subject where required to approval of applicable regulatory authorities, the TSX and shareholders, amend or revise the terms of the 2016 Option Plan or any existing New Option without obtaining shareholder approval in the following circumstances, provided that, in the case of any New Option, no such amendment or revision may, without the consent of the optionee, materially decrease the rights or benefits accruing to such optionee or materially increase the obligations of such optionee:

- a) amendments of a “housekeeping” nature including, but not limited to, of a clerical, grammatical or typographical nature;
- b) to correct any defect, supply any information or reconcile any inconsistency in the 2016 Option Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the 2016 Option Plan;
- c) a change to the vesting provisions of any New Option or the 2016 Option Plan;
- d) amendments to reflect any changes in requirements of any applicable regulatory authority or the TSX to which the Company is subject;
- e) a change to the termination provisions of an New Option following a termination of employment, engagement or directorship of an optionee which does not result in an extension beyond the original New Option period;
- f) in the case of any New Option, such amendments or revisions contemplated in the adjustment on alteration of share capital provision of the 2016 Option Plan;
- g) amendments to the definition of change of control for the purposes of the 2016 Option Plan;
- h) the addition of a cashless exercise feature, payable in cash or securities of the Company; and
- i) a change to the class of eligible persons that may participate under the 2016 Option Plan, except any amendment to the class of eligible persons to include Non-Employee Directors.

Notwithstanding the above, no amendments to the following matters may be made by the Board without the Company first obtaining shareholder approval:

- a) increase the number of common shares reserved for issuance;
- b) amend the amendment provisions;
- c) any amendment which would permit New Options granted under the 2016 Option Plan to be transferable or assignable otherwise than, by will or by the law governing the devolution of property, to the optionee’s executor, administrator or other personal representative in the event of death of the optionee;
- d) any amendment to the class of persons that may participate under the 2016 Option Plan to include Non-Employee Directors; and
- e) amend provisions setting out insider participation limits of the 2016 Option Plan.

The foregoing summary is subject to the specific provisions of the 2016 Option Plan.

Outstanding Option-Based Awards

Outstanding option-based awards for NEOs as at December 31, 2016, the end of the Company's most recently completed financial year, are set out in the following table:

Name	Option-based Awards				
	Number (#) of securities underlying unexercised options	Option exercise price		Option expiry date	Value of unexercised in-the-money options
		CAD \$	US \$		
Kenneth M. Palko	80,000	0.94	0.70	June 17, 2021	16,088
President and CEO	250,000	1.35	1.01	August 11, 2021	Nil
	100,000	1.56	1.16	June 4, 2023	Nil
	50,000	1.99	1.48	July 06, 2019	Nil
	100,000	2.70	2.01	July 2, 2019	Nil
	85,000	8.69	6.47	February 17, 2018	Nil
Darren K. McDonald	80,000	0.94	0.70	June 17, 2021	16,088
V.P. Finance, CFO & Corporate Secretary	150,000	1.35	1.01	August 11, 2021	Nil
	25,000	1.49	1.11	January 04, 2019	Nil
	100,000	1.56	1.16	June 4, 2023	Nil
	100,000	2.70	2.01	July 2, 2019	Nil
Scott W. Dryden	150,000	1.35	1.01	August 11, 2021	Nil
V.P. Operations	85,000	2.40	1.79	August 17, 2019	Nil
Nicholas Van Dyk	100,000	1.35	1.01	August 11, 2021	Nil
Vice President, Investor Relations & Corporate Development					
Robert McIntosh	100,000	1.35	1.01	August 11, 2021	Nil
General Manager, Eagle Rock Aggregates, Inc.					

Incentive stock options are granted and exercisable in CAD\$. The value of unexercised in-the-money options noted above is based on the TSX market closing price of the Company's common shares on December 31, 2016, being CAD\$1.21. Option exercise prices and 2016 year-end market closing price were translated from CAD\$ to US\$ using the December 31, 2016 spot rate of CAD\$1.00 = US\$0.7448 (see *Currency* earlier in this Circular).

Typically, the vesting terms of stock options awards granted to NEOs are as follows: one-third of the options vest immediately upon the grant date, one-third vest one year after the grant date, and the remaining one-third vest two years after the grant date, with a term of either five or ten years from the date of grant.

Share-Based Awards

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

Incentive Plan Awards – Value Vested or Earned During the Year

The following table discloses incentive plan awards, including annual incentive bonuses and contracted milestone bonuses, awarded during the year ended December 31, 2016:

Name	Option-based awards Value vested during the year (US\$)	Share-based awards Value vested during the year (US\$)	Non-equity incentive plan compensation Value earned during the year (US\$)
Kenneth M. Palko	Nil	n/a	29,792
Darren K. McDonald	Nil	n/a	22,344
Scott W. Dryden	Nil	n/a	18,620
Nicholas Van Dyk	Nil	n/a	14,896
Robert McIntosh	Nil	n/a	12,000

PENSION PLAN BENEFITS

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

TERMINATION AND CHANGE OF CONTROL BENEFITS

All translations from CAD\$ to US\$ in this section are made using the December 31, 2016 spot rate of CAD\$1.00 = US\$0.7448. (Refer to *Currency and Fair Value* earlier in this Circular.)

Kenneth M. Palko ***President and Chief Executive Officer***

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

If the Company terminates Mr. Palko's employment without just cause, he will be entitled to a sum equal to 52 weeks of his then current base annual salary plus an amount equal to the cost of his employee benefits, and a pro-rata bonus, but excluding incentive stock options, for such period. If such event had occurred on December 31, 2016, the Company would have been required to compensate Mr. Palko as follows:

	<u>CAD\$</u>	<u>US\$</u>
52 weeks' base annual salary	360,000	268,116
Cost of 52 weeks' benefits	30,768	22,915
Pro-rata annual bonus (assuming last contracted target award)	<u>180,000</u>	<u>134,064</u>
<i>Total:</i>	570,768	425,095

- In the event of a "change of control" of the Company, if Mr. Palko's employment is terminated by the Company or the successor company, or Mr. Palko resigns, within six months of such change of control, he will be entitled to severance pay in an amount equal to 78 weeks of base salary plus the cost of 78 weeks' benefits, other than bonus and incentive stock options. If such event had occurred on December 31, 2016, the Company would have been required to compensate Mr. Palko as follows:

	<u>CAD\$</u>	<u>US\$</u>
78 weeks base annual salary	540,000	402,174
Cost of 78 weeks' benefits	<u>46,152</u>	<u>34,373</u>
<i>Total:</i>	586,152	436,547

- In the event of a “change of control” of the Company, if Mr. Palko’s employment is terminated by the Company or the successor company, or Mr. Palko resigns, between six and 12 months after such change of control, he will be entitled to severance pay in an amount equal to 52 weeks’ base salary plus the cost of 52 weeks’ benefits other than bonus and incentive stock options. If such event had occurred on December 31, 2016, the Company would have been required to compensate Mr. Palko as follows:

	<u>CAD\$</u>	<u>US\$</u>
52 weeks’ base annual salary	360,000	268,116
Cost of 52 weeks’ benefits	<u>30,768</u>	<u>22,915</u>
<i>Total:</i>	390,768	291,031

Mr. Palko’s outstanding and unexercised in-the-money incentive stock options as of December 31, 2016 had a value of CAD\$21,600 (US\$16,088).

Darren K. McDonald
Vice President, Finance & Chief Financial Officer

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

- If the Company terminates Mr. McDonald’s employment without just cause, he will be entitled to a sum equal to 52 weeks of his then current base annual salary plus an amount equal to the cost of his employee benefits, and a pro-rata bonus, but excluding incentive stock options, for such period. If such event had occurred on December 31, 2016, the Company would have been required to compensate Mr. McDonald as follows:

	<u>CAD\$</u>	<u>US\$</u>
52 weeks’ base annual salary	292,000	217,472
Cost of 52 weeks’ benefits	30,860	22,984
Pro-rata annual bonus (assuming last contracted target award level)	<u>116,800</u>	<u>86,993</u>
<i>Total:</i>	439,660	327,449

- In the event of a “change of control” of the Company, if Mr. McDonald’s employment is terminated by the Company or the successor company, or Mr. McDonald resigns, within six months of such change of control, he will be entitled to severance pay in an amount equal to 52 weeks’ base salary and benefits, other than bonus and incentive stock options. If such event had occurred on December 31, 2016, the Company would have been required to compensate Mr. McDonald as follows:

	<u>CAD\$</u>	<u>US\$</u>
52 weeks’ base annual salary	292,000	217,472
Cost of 52 weeks’ benefits	<u>30,860</u>	<u>22,984</u>
<i>Total:</i>	322,860	240,456

Mr. McDonald’s outstanding and unexercised in-the-money incentive stock options as of December 31, 2016 had a value of CAD\$21,600 (US\$16,088).

Scott W. Dryden
Vice President, Operations

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

- If the Company terminates Mr. Dryden's employment without just cause, he will be entitled to a sum equal to 52 weeks of his then current base annual salary plus an amount equal to the cost of his employee benefits, and a pro-rata bonus, but excluding incentive stock options, for such period. If such event had occurred on December 31, 2016, the Company would have been required to compensate Mr. Dryden as follows:

	<u>CAD\$</u>	<u>US\$</u>
52 weeks' base annual salary	255,000	189,916
Cost of 52 weeks' benefits	14,797	11,021
Pro-rata annual bonus (assuming last contracted target award)	<u>76,500</u>	<u>56,977</u>
<i>Total:</i>	346,297	257,914

- In the event of a "change of control" of the Company, if Mr. Dryden's employment is terminated by the Company or the successor company, or Mr. Dryden resigns, within six months of such change of control, he will be entitled to severance pay in an amount equal to one year's base salary plus the cost of one year's benefits other than bonus and incentive stock options. If such event had occurred on December 31, 2016 the Company would have been required to compensate Mr. Dryden as follows:

	<u>CAD\$</u>	<u>US\$</u>
One year's base annual salary	255,000	189,916
Cost of one year's benefits	<u>14,797</u>	<u>11,021</u>
<i>Total:</i>	269,797	200,937

Mr. Dryden's outstanding and unexercised in-the-money incentive stock options as of December 31, 2016 had a value of \$Nil.

Nicholas Van Dyk
Vice President, Investor Relations and Corporate Development

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

- If the Company terminates Mr. Van Dyk's employment without just cause, he will be entitled to a sum equal to 26 weeks of his then current base annual salary plus an amount equal to the cost of his employee benefits, and a pro-rata bonus, but excluding incentive stock options, for such period. If such event had occurred on December 31, 2016, the Company would have been required to compensate Mr. Van Dyk as follows:

	<u>CAD\$</u>	<u>US\$</u>
26 weeks' base annual salary	102,500	76,339
Cost of 26 weeks' benefits	8,596	5,952
Pro-rata annual bonus (assuming last contracted target award)	<u>10,000</u>	<u>7,448</u>
<i>Total:</i>	121,096	89,739

- In the event of a “change of control” of the Company, if Mr. Van Dyk’s employment is terminated by the Company or the successor company, or Mr. Van Dyk resigns, within six months of such change of control, he will be entitled to severance pay in an amount equal to one year’s base salary plus the cost of one year’s benefits other than bonus and incentive stock options. If such event had occurred on December 31, 2016 the Company would have been required to compensate Mr. Van Dyk as follows:

	<u>CAD\$</u>	<u>US\$</u>
One year’s base annual salary	205,000	152,677
Cost of one year’s benefits	<u>17,191</u>	<u>11,904</u>
<i>Total:</i>	222,191	164,581

Mr. Van Dyk’s outstanding and unexercised in-the-money incentive stock options as of December 31, 2016 had a value of \$Nil.

Robert McIntosh
General Manager, Eagle Rock Aggregates, Inc.

Mr. McIntosh’s contract does not provide for termination or change in control compensation and benefit scenarios.

Mr. McIntosh’s outstanding and unexercised in-the-money incentive stock options as of December 31, 2016 had a value of \$Nil.

4. DIRECTOR COMPENSATION

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

Annual Retainers and Meeting Fees

The Board of Directors approved the following non-executive directors' compensation structure for fiscal year 2016 for services as a director. These payments are made in Canadian dollars:

	<u>CAD\$</u>
Annual retainer – Board Chair	60,000
Annual retainer – Executive Vice-Chairman	120,000
Annual retainer – Non-Executive Director	30,000
Annual retainer – Audit Committee Chair	12,500
Annual retainer – Governance Compensation and Nominating Committee Chair	6,000
Board and Committee meeting fee (per meeting) in person or by telephone	1,500
Travel fee (per travel day)	1,500

The above fee schedule, excluding the annual retainer for Executive Vice-Chairman, has been in effect since July 1, 2014. In accordance with a recommendation from Roger Gurr & Associates (see 3.1. *Compensation Discussion and Analysis*) increases to the annual retainers for the Board and Audit Committee Chairs were approved by the Compensation Committee and implemented on July 1, 2014.

The position of Executive Vice-Chairman was established by the Board of Directors, effective October 1, 2015 to assist in the transfer of the industry knowledge and operating experience of the former President and CEO, Herbert G.A. Wilson, to the Board and management of the Company. Having accomplished the transition of the new President and CEO, on December 31, 2016 Mr. Wilson's role as Executive Vice-Chairman was completed, however, he continues as Vice-Chairman and director. The Executive Vice-Chairman supported the Chair of the Board with his duties and chaired meetings in the absence of the Chair, assisted, guided and advised the new President and CEO in respect of managing the day to day operations of the Company, including its commercial contracts and in respect of capital projects involving the design and selection of plant and equipment. In recognition of the added responsibility of these duties, the annual compensation of CAD\$120,000 was in addition to the annual retainer received by non-executive directors of CAD\$30,000. In recognition of the reduced responsibility, as of January 1, 2017 Mr. Wilson no longer receives the additional annual compensation of CAD\$120,000 but maintains the annual retainer received by non-executive directors of CAD\$30,000. His continuing position as Vice-Chairman is that of a non-independent director and therefore the Vice-Chairman does not participate in meetings of the independent directors nor be a member of any Committee of the Board. In his capacity as Executive Vice-Chairman, Mr. Wilson was granted 150,000 stock options in 2016. Also, in recognition of the contribution Mr. Wilson made to the Company in his role as Chief Executive Officer, his continuing as a director of the Company, and his role as Vice-Chairman of the Board of Directors, the milestone bonus of CAD\$200,000 that Mr. Wilson would be eligible for upon first achieving sales from the Company's projects, in aggregate, in excess of four million tonnes within a calendar year, an event which has not taken place, was extended for an additional five years and will now terminate December 31, 2020.

Incentive Stock Options

Previously, non-employee directors were also compensated for their services in their capacity as directors through the granting by the Company of Old Options from time to time in accordance with the Original Option Plan and the policies of the TSX. The Company no longer makes any grants pursuant to the Original Option Plan. Such grants typically took place on an annual basis, however, options were not granted if the Company is under a trading black-out in accordance with its Corporate Disclosure Policy (see *Report on Corporate Governance – Ethical Business*

Conduct). If a trading black-out was in effect at a time when the Board has considered the grant of options, such grants were postponed until the conclusion of the trading black-out at which time the grant date of such options was set at least two full trading days after the conclusion of the of the trading black-out in accordance with the Company's Disclosure Policy.

Refer to *Statement of Executive Compensation –Long-Term Incentive Plans –Original Option Plan* for further details regarding the Original Option Plan.

Share-Based Awards

Currently, the Company has established the DSU Plan to replace the Original Option Plan with respect to the independent directors. The DSU is aimed to promote the alignment of interests between the shareholders of the Company and the independent directors of the Company, being the members of the board of directors of the Company who are not also an employee of the Company or the Company's affiliates. Deferred share units granted under the DSU Plan are redeemable for common shares. The Company grants any deferred share units pursuant to the terms of the DSU Plan in a manner similar to how options had previously been granted to the independent directors.

Deferred Share Unit Plan

The purpose of the DSU Plan is to promote the alignment of interests between the shareholders of the Company and the independent directors of the Company, being the members of the Board of the Company who are not also employees of the Company or the Company's affiliates, and to provide an equity component to such director's total compensation package designed to attract and retain qualified independent directors.

The number of common shares that may be reserved for issuance pursuant to deferred share units granted under the DSU Plan and the number of deferred share units granted under the DSU Plan shall not exceed a maximum of 2% of the issued and outstanding common shares. As of the date hereof, deferred share units to acquire an aggregate of 260,000 shares are outstanding under the DSU Plan, representing approximately 0.3% of the issued and outstanding common shares. Deferred share units which have expired, were cancelled or otherwise terminated without having been exercised, and those which have been exercised are available for subsequent grants under the DSU Plan.

The DSU Plan provides that an independent director, defined as a member of the Board of the Company who is not also an employee of the Company or the Company's affiliates, may elect to receive up to 100% of such director's fees in a particular year in the form of deferred share units in lieu of cash by filing an election notice prior to December 15 of the calendar year prior to the year in which the services giving rise to such fees are performed or, if a new director, within 30 days of appointment. The election notice is deemed to be the election until a further election notice is filed. The value of each deferred share unit on the date of grant is equal to the market value of the common shares on the trading day immediately prior to the date of grant. Market value is defined in the DSU Plan as the five day volume weighted average trading price of the common shares on the TSX, calculated by dividing the total value by the total volume of the common shares traded for on the TSX for the five trading days immediately preceding the relevant date that the common shares were traded on, provided that if the common shares are suspended from trading or have not traded on the TSX for an extended period of time, then the market value will be the fair market value of a common shares as determined by the Board in its sole discretion.

Notwithstanding the filing of an election notice, the deferred share units are granted by the Board in its sole discretion and the independent directors are not entitled to a grant until the grant is approved by the Board, subject to the value of any deferred share units granted with respect of directors fees not being greater than the percentage amount elected to be received in deferred share units in the election notice. The Board also has the authority to determine other terms and conditions of the deferred share units. If deferred share units are inadvertently granted

during a black-out period, then the grant date will be deemed to be the fourth trading day following the end of the black-out period.

The deferred share units are non-assignable and non-transferable other than by will or by laws governing the devolution of property in the event of death.

Deferred share units will become redeemable on the earlier of the date where the holder ceases to be a member of the Board for any reason whatsoever including resignation, disability, death, retirement, or loss of office as a director and the date on which the holder is neither an employee nor a member of the Board of the Company or any corporation related to the Company for the purposes of the *Income Tax Act*. On or after such date, the holder of the deferred share units may redeem such deferred share units at any time prior to the end of the first calendar year commencing after the calendar year of such date. On the date such deferred share units are redeemed, the holder of such deferred share units will receive either: (a) if the DSU Plan obtains shareholder approval every three years in accordance with TSX policies, a whole number of common shares equal to the whole number of deferred share units of such holder, or (b) if shareholder approval of the DSU Plan is not obtained, a cash payment equal to the market value of such deferred share units.

If cash dividends are paid on the common shares, that number of additional deferred share units will be credited to a holder of deferred share units that equals the total cash dividends that would have been paid if such holder's deferred share units had been common shares as of the relevant record date divided by the market value on the trading day immediately after the record date.

In accordance with the rules of the DSU Plan, deferred share units granted under the DSU Plan are subject to certain restrictions which include:

- a) The number of common shares which may be reserved for issuance pursuant to the DSU Plan to may not exceed 2% of the issued and outstanding common shares on a non-diluted basis from time to time;
- b) The number of common shares which may be reserved for issuance pursuant to the DSU Plan to all insiders of the Company may not exceed 2% of the issued and outstanding common shares on a non-diluted basis from time to time;
- c) The number of common shares which may be issued pursuant to the DSU Plan to all insiders of the Company within a one-year period may not exceed 2% of the issued and outstanding common shares on a non-diluted basis from time to time; and
- d) The issuance or grant to any one participant within a one-year period, of an aggregate number of deferred share units and common shares issuable or reserved for issuance exceeding a market value on the grant date of \$150,000.

when taken together with common shares reserved for issuance pursuant to all of the Company's other security based compensation arrangements.

In the event that the Company:

- a) subdivides, consolidates or reclassifies the Company's outstanding common shares, or makes another capital adjustment or pays a stock dividend, the number of common shares receivable under the DSU Plan will be increased or decreased proportionately; or
- b) amalgamates, consolidates with or merges with or into another body corporate, holders of deferred share units under the DSU Plan will, upon redemption thereafter of such deferred share units, be entitled to receive and compelled to accept, in lieu of common shares, such other securities, property or cash which

the holder would have received upon such amalgamation, consolidation or merger if the deferred share unit was exercised immediately prior to the effective date of such amalgamation, consolidation or merger or in lieu of a cash payment, the cash payment shall be equal to the fair market value of such other securities, property or cash which the holder would have received upon such amalgamation, consolidation or merger if the deferred share unit was exercised immediately prior to the effective date of such amalgamation, consolidation or merger.

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

In the event of a change of control (as defined in the DSU Plan), all deferred share units that are not vested shall vest immediately and automatically without further action by the Board, subject to any restrictions imposed by the TSX.

The Board may also, subject where required to approval of applicable regulatory authorities, TSX and shareholders, amend or revise the terms of the DSU Plan or any existing deferred share unit without obtaining shareholder approval in the following circumstances, provided that, in the case of any deferred share unit, no such amendment or revision may, without consent of the holder, materially decrease the rights or benefits accruing to such holder or materially increase the obligations of such holder:

- a) amendments of a “housekeeping” nature including, but not limited to, of a clerical, grammatical or typographical nature;
- b) to correct any defect, supply any information or reconcile any inconsistency in the DSU Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the DSU Plan;
- c) a change to the vesting provisions of any deferred share unit or the DSU Plan;
- d) amendments to reflect any changes in requirements of any applicable regulatory authority or the TSX to which the Company is subject;
- e) in the case of any deferred share unit, such amendments or revisions contemplated in the adjustment or alteration of share capital provision of the DSU Plan; and
- f) a change to the class of eligible persons that may participate under the DSU Plan.

Notwithstanding the above, no amendments to the following matters may be made by the Board without the Company first obtaining shareholder approval:

- a) increase the number of common shares reserved for issuance;
- b) amend the amendment provisions;
- c) any amendment which would permit deferred share units granted under the DSU Plan to be transferable or assignable otherwise than, by will or by the law governing the devolution of property, to the holder’s executor, administrator or other personal representative in the event of death of the holder;
- d) amend any deferred share unit granted under the DSU Plan to extend the redemption date beyond the original redemption date (for both Insider and non-Insider grants); and
- e) amend the number of common shares reserved for issuance and insider participation and non-employee director limits of the DSU Plan.

The foregoing summary is subject to the specific provisions of the DSU Plan.

Directors Compensation Table

The following table discloses all compensation provided to the directors for the Company's most recently completed financial year ending December 31, 2016:

Name	Fees earned (US\$)	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	Pension value (US\$)	All other compensation (US\$)	Total (US\$)
Terrence A. Lyons	72,332	63,308	n/a	n/a	n/a	Nil	135,640
Eugene P. Martineau	62,998	63,308	n/a	n/a	n/a	Nil	126,306
Marco A. Romero	53,121	63,308	n/a	n/a	n/a	27,179	143,608
Lenard F. Boggio	62,559	63,308	n/a	n/a	n/a	Nil	125,867
Herbert G.A. Wilson	114,274	n/a	96,553	n/a	n/a	Nil	210,827

Directors' fees are paid in CAD\$ and were translated to US\$ using the three-month average exchange rates for 2016, as applicable for each quarterly payment.

Deferred share units were granted and exercisable in CAD\$. Grant date fair value was calculated by multiplying the total number of units granted to a director on the grant date by the volume weighted average price of the Common Shares for the five trading days prior to the grant date and then translated to US\$ using the Bank of Canada noon exchange rate on the grant date.

Marco A. Romero's compensation stated in the "All other compensation" column reflects payment under a consulting agreement entered into between the Company and Mr. Romero on July 14, 2008, under which Mr. Romero provides support to Management with various strategic and political matters, and acts as Non-Executive Chairman of Orca Sand & Gravel Ltd., the Company's principal operating subsidiary. Under this agreement, Mr. Romero provides consulting services to the Company at an annual fee of CAD\$10 plus an hourly rate of CAD\$150 with a guaranteed minimum of 20 hours per month. The agreement expires December 31, 2017. During the most recently completed financial year ending December 31, 2016, the Company paid Mr. Romero CAD\$36,000 (US\$27,179) for services under this agreement. This compensation was translated from CAD\$ to US\$ using the 2016 three-month average exchange rates as applicable at the time of each payment. (Refer to *Currency* earlier in this Circular.)

Incentive Plan Awards

Outstanding option-based and share-based awards for non-executive directors as at December 31, 2016, the end of the Company's most recently completed financial year, are set out in the following table:

Name	Option-based Awards					Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price		Option expiry date	Value of unexercised in-the-money options	Number of DSUs that have not vested	Market or payout value of DSUs that have not vested	Market or payout value of vested DSUs not paid out or distributed
	(#)	CAD \$	US \$		US \$	(#)	US \$	US \$
Terrence	50,000	0.94	0.70	June 17, 2021	10,059	Nil	Nil	63,904
Lyons	100,000	1.56	1.16	June 4, 2023	Nil			
	30,000	1.99	1.48	July 06, 2019	Nil			
	100,000	2.70	2.01	July 02, 2019	Nil			
	92,000	13.75	10.24	Oct. 04, 2017	Nil			
Eugene	50,000	0.94	0.70	June 17, 2021	10,059	Nil	Nil	63,904
Martineau	100,000	1.56	1.16	June 4, 2023	Nil			
	50,000	1.80	1.34	Mar. 31, 2020	Nil			
	100,000	2.70	2.01	July 02, 2019	Nil			
Marco	50,000	0.94	0.70	June 17, 2021	10,059	Nil	Nil	63,904
Romero	100,000	1.56	1.16	June 4, 2023	Nil			
	30,000	1.99	1.48	July 06, 2019	Nil			
	100,000	2.70	2.01	July 02, 2019	Nil			
	153,000	13.75	10.24	Oct. 04, 2017	Nil			
Lenard	100,000	1.56	1.16	June 4, 2023	Nil	Nil	Nil	63,904
Boggio	100,000	2.70	2.01	July 02, 2019	Nil			
Herbert	200,000	0.94	0.70	June 17, 2021	40,219	n/a	n/a	n/a
Wilson	150,000	1.35	1.01	Aug. 11, 2021	Nil			
	200,000	1.56	1.16	June 4, 2023	Nil			
	75,000	1.99	1.48	July 06, 2019	Nil			
	200,000	2.70	2.01	July 02, 2019	Nil			
	78,750	13.75	10.24	Oct. 04, 2017	Nil			

Incentive stock options and deferred share units are granted and exercisable in CAD\$. The value of unexercised in-the-money options and market or payout value of vested DSUs not paid out or distributed noted above is based on the TSX market closing price of the Company's common shares on December 31, 2016, being CAD\$1.21. Option exercise prices and 2016 year-end market closing price were translated from CAD\$ to US\$ using the December 31, 2016 spot rate of CAD\$1.00 = US\$0.7448 (see *Currency* earlier in this Circular).

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

The following table discloses incentive plan awards for the year ended December 31, 2016:

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

5. OTHER COMPENSATION MATTERS

Proportion of Common Shares Held by Directors and Executive Officers

Collectively, as of the date hereof, the directors and executive officers of the Company, as a group, own 635,213 common shares representing approximately 0.72% of the issued and outstanding common shares and, on a fully diluted basis, 4,639,063 common shares representing 5.24% of the issued and outstanding common shares.

Indebtedness of Directors and Executive Officers

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

Equity Compensation Plan Information

The following table is as of December 31, 2016:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders:			
Original Option Plan	4,534,833	US\$2.82	n/a ¹
2016 Option Plan	1,238,000	US\$1.01	1,033,942
DSU Plan	260,000	n/a	1,766,693
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	6,032,833	US\$2.44	2,800,635

- (1) The Original Option Plan was replaced by the 2016 Option Plan and therefore no additional grants by the Company under the Original Option Plan are authorized.

The weighted average exercise price in column (b) for the Original Option Plan was translated from CAD\$3.79 to US\$2.82, for the 2016 Option Plan was translated from CAD\$1.35 to US\$1.01, and for the total from CAD\$3.27 to US\$2.44 using the December 31, 2016 spot rate of CAD\$1.00 = US\$0.7448.

6. REPORT ON CORPORATE GOVERNANCE

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

Board of Directors

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

Majority Voting Policy

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

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

In connection with the election of directors of the Company at an annual meeting of shareholders of the Company, if a director nominee has more votes withheld than are voted in favour of him or her, the nominee will be considered by the Board not to have received the support of the shareholders, even though duly elected as a matter of corporate law. Such a nominee will be expected to forthwith submit his or her resignation to the Board, effective on acceptance by the Board.

The Board will refer the resignation to the governance, compensation and nominating committee. After review, the governance, compensation and nominating committee will put forward a recommendation to the Board whether to accept the tendered resignation or reject it. Absent exceptional circumstances that would warrant the continued service of the applicable director on the Board, the governance, compensation and nominating committee will be expected to recommend acceptance of the resignation by the Board. The Board will promptly accept the resignation, unless there are exception circumstances that would warrant the continued services of the applicable director on the Board. It is expected that the resignation will be accepted (or in rare cases rejected) within 90 days of the annual meeting. Following the Board's decision, the Company will promptly issue a news release disclosing whether the Board has accepted the applicable director's resignation and the reasons for rejecting the resignation, if applicable. The TSX will be given a copy of the news release announcing the decision.

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

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

Director Independence

The Board considers a director to be independent if he meets the definition of independence set forth in National Instrument 52-110 – *Audit Committees* ("NI 52-110") and if he has no direct or indirect material relationship with

the Company which, in the view of the Board of Directors, could reasonably be perceived to materially interfere with the exercise of the director's independent judgment.

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

Director	Independence status	Basis for determination of non-independence
Terrence A. Lyons	Independent	Mr. Lyons has no direct or indirect material relationship with the Company as defined in NI 52-110.
Eugene P. Martineau	Independent	Mr. Martineau has no direct or indirect material relationship with the Company as defined in NI 52-110.
Marco A. Romero	Independent	Mr. Romero was President & CEO of the Company until December 31, 2008. With effect from January 1, 2012, he has been considered to be independent and received less than \$75,000 in direct compensation from the Company in his role as a consultant to the Company.
Lenard F. Boggio	Independent	Mr. Boggio has no direct or indirect material relationship with the Company as defined in NI 52-110.
Herbert G.A. Wilson	Not Independent	Mr. Wilson was President & CEO of the Company until September 30, 2015 and, therefore, does not meet the definition of independence set forth in NI 52-110.

Role of the Chair

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

Board and Committee Meetings

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

The independent directors hold four regularly scheduled meetings throughout the year, each immediately prior to the regularly scheduled quarterly Board meetings, without the presence of related directors or management and during which no minutes are taken. They may also hold ad-hoc meetings as required, but none were held during the year ending December 31, 2016. Independent directors may also discuss matters individually and in groups on an informal basis.

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

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

The following table summarizes directors' attendance at all Board and Committee meetings during the year ended December 31, 2016:

Director	Board of Directors		Independent Directors		Audit Committee		Governance, Compensation and Nominating Committee	
	# of meetings attended	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend	# of meetings attended	# of meetings eligible to attend
Terrence A. Lyons	7	7	3	3	4	4	n/a	n/a
Eugene P. Martineau	7	7	3	3	4	4	1	1
Marco A. Romero	7	7	3	3	n/a	n/a	1	1
Lenard F. Boggio	6	7	2	3	3	4	1	1
Herbert G. A. Wilson	7	7	n/a	n/a	n/a	n/a	n/a	n/a

Directorships

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

Director	Issuer	Exchange
Terrence A. Lyons	Canaccord Genuity Group Inc. Sprott Resource Holdings Inc. Martinrea International Inc.	TSX TSX TSX
Eugene P. Martineau	None	-
Marco A. Romero	Euro Manganese Inc.	None
Lenard F. Boggio	Pure Gold Mining Inc. Sprott Resource Holdings Inc. Lithium Americas Corp.	TSX-V TSX TSX
Herbert G. A. Wilson	Hudson Resources Inc.	TSX-V

Board Mandate

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

Board Assessments

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

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

Position Descriptions

The Board of Directors has adopted written charters for the two Board Committees, which may be viewed on the Company's website, www.polarismaterials.com. Brief summaries of the role of the Board Committees are provided below.

The Board has adopted written position descriptions for the Chair of the Board, Vice-Chairman and the CEO, which may be viewed on the Company's website, www.polarismaterials.com.

Director Orientation and Continuing Education

The Governance, Compensation and Nominating Committee is responsible for the orientation and continuing education of directors. A new director will meet with executive management, the Chair of the Board, the Chair of the Governance, Compensation and Nominating Committee, and possibly incumbent directors, prior to being invited to join the Board, as well as after being accepted to the Board. Such meetings facilitate the exchange of information, ideas and questions amongst all participants. Prior to joining the Board, incoming directors will be invited to tour the Company's operations. New directors are provided with written materials both to aid in their familiarization with the Company and to inform them of their obligations as a director. Such information includes governance policies such as the Company's code of business conduct and ethics, whistleblower policy, disclosure policy, committee charters, and also includes corporate information such as financial statements. Directors are also provided with an overview of the board portal, a secure online site that contains recent disclosure documents and information regarding the Company's operations.

At each Board and committee meeting, executive management routinely provides directors with presentations and verbal updates on matters relevant to the Company such as operational issues, market conditions, sales trends, industry issues, competitive conditions, financial position, and strategic considerations. Directors are encouraged to attend and participate in seminars and other continuing education programs, with the cost of such programs being reimbursed by the Company. Recent director's participation in continuing education included the following:

- In November 2015, the Board undertook a site visit the Company's new Long Beach, CA terminal. Directors were given a tour of the site to better understand terminal operations, such as offloading, material processing, storage capacity, throughput, and customer delivery. The site visit was undertaken in preparation of the terminal's commencement of operations in February 2016.
- In March, June, September and December of each year, directors of the Company received presentations from management relating to markets and prices for aggregates in California. For 2016 all directors attended all four presentations, except for one director who was absent for one session.
- In March 2016, Mr. Martineau attended the National Ready Mixed Concrete Association annual convention.

- In April 2016, Mr. Wilson undertook a site visit to the Orca quarry to update his knowledge of current quarry operations and developments at the Black Bear project.
- Several directors in their capacity as designated professionals, such as the ICD.D designation, are required to fulfill a minimum number of professional development hours. Mr. Lyons and Mr. Boggio each attended relevant seminars or programs provided by the Institute of Corporate Directors.

The Company ensures that there are frequent informal opportunities for directors to meet with senior members of the Company which offers the opportunity for individual board members to ask questions and enhance their knowledge and clarify their understanding of various issues, and gain additional exposure to help evaluate the knowledge, capability and conduct of the senior management team.

Ethical Business Conduct

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

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

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

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

The Company has not adopted term limits for individual directors. The Board believes that individuals can continue to remain effective directors beyond a maximum period of service. Without having term limits, the Company has experienced turnover on its board that has brought directors with new perspectives and approaches. This has complemented the depth of knowledge and insight about the Company and business operations that the Company’s long-standing directors have developed over time.

Diversity Policy

Polaris believes in diversity and values the benefits that diversity can bring to its workforce, including its senior management and the Board. The Board has recently adopted a formal policy that encourages business experience, geography, age, gender, ethnicity, aboriginal status, visible minority, sexual orientation, and disability diversity for purposes of senior management and Board composition (the “Diversity Policy”).

Polaris believes that the Company’s needs are best served by first identifying and screening all fully qualified candidates for leadership roles, in the context of the skills, expertise, and experience which the Board and Polaris requires for an individual to be effective in their role. However, gender and other forms of diversity are important and valuable considerations in selecting from amongst qualified candidates. The Company’s approach to diversity is intended to encourage respect for and appreciation of, diversity in a broad sense, in all leadership roles.

Since it is difficult to predict the timing of future hiring and the ability to identify candidates who offer diversity while meeting or exceeding the requirements of specific positions, formal Board or management diversity percentage targets and specific dates by which it is intended that Polaris satisfy those targets, have not been established in the Diversity Policy or by the Company. The Company does not currently have any female directors on the Board or female officers among the Company’s senior management team. Until December 31, 2016, the Company’s major Canadian operating subsidiary, Orca Sand & Gravel LP, was headed by a female mine manager. In April 2017, the Company was pleased to add a member from each of the two local First Nations to the Orca Sand & Gravel management team.

Polaris believes that the Diversity Policy, however, introduces a process which is likely to achieve higher levels of diversity within the Board and the Company’s leadership roles in an appropriate timeframe. The Company, through the Governance, Compensation and Nominating Committee, intends to periodically assess the expertise, experience, skills and backgrounds of its management and directors and measure the effectiveness of the Diversity Policy in promoting a diverse management team and Board, which includes women, First Nations members, and other individuals with diverse backgrounds.

Nomination of Directors

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

Board Committees

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

Audit Committee

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

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

The Audit Committee has a published mandate which is attached to the Company's Annual Information Form (the "AIF"), filed with Canadian securities regulators and posted under the Company's profile at www.sedar.com, and is posted on the Company's website, www.polarismaterials.com. For additional information on the Audit Committee, please see the section of the AIF titled "*Audit Committee*".

Governance, Compensation and Nominating Committee

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

The Governance, Compensation and Nominating Committee has a published mandate which is posted on the Company's website, www.polarismaterials.com.

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

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

8. INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

9. MANAGEMENT CONTRACTS

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

10. SHAREHOLDER PROPOSALS

Pursuant to Section 187 of the *BC Business Corporations Act*, any notice of a Shareholder proposal intended to be raised at the annual general meeting of Shareholders of the Company to be held during 2018 must be submitted to the Company at its registered office, on or before March 17, 2018, to be considered for inclusion in the management information circular for that annual general meeting of Shareholders.

11. ADDITIONAL INFORMATION

Additional information relating to the Company is available at www.sedar.com under the name "Polaris Materials Corporation". Financial information for the year ended 2016 is provided in the Company's comparative financial statements and Management's Discussion and Analysis ("MD&A") which are contained in the 2016 Annual Report included with this Circular. Copies of the Company's financial statements and MD&A may be obtained by contacting the Secretary of the Company in writing at Suite 2740, PO Box 11175, 1055 West Georgia Street, Vancouver, British Columbia V6E 3R5 or by email at info@polarismaterials.com. Copies of such documents will be provided to shareholders free of charge.

SCHEDULE A

POLARIS MATERIALS CORPORATION

BOARD MANDATE AND TERMS OF REFERENCE

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

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

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

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

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

The Board has the following stewardship responsibilities:

1. Governance

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

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

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

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

2. Strategic Planning and Development

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

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

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

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

3. Financial Planning and Capital Structure Oversight

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

4. Monitoring and Internal Controls

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

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

5. Executive Management Oversight and Succession Planning

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

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

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

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

BOARD PRACTICES AND TERMS OF REFERENCE

a. Board Committees

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

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

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

b. Board Composition and Effectiveness

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

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

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

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

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

c. Director Orientation and Education

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

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

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

d. Conflict of Interest

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

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

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

e. Meetings

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

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

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

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

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

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

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

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