



**NEWFOUNDLAND CAPITAL CORPORATION LIMITED**

**Annual General Meeting of Shareholders to be held on May 1, 2013**

**NOTICE OF MEETING**

**MANAGEMENT INFORMATION CIRCULAR**

**February 28, 2013**



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Newfoundland Capital Corporation Limited

Dear Shareholders:

You are invited to attend the Annual General Meeting of the shareholders of Newfoundland Capital Corporation Limited which will be held Wednesday, May 1, 2013 at 11:00 a.m. (Atlantic time) at the Delta Halifax Hotel, Baronet Ballroom. The meeting will give you the opportunity to learn more about the Company, receive its financial results and hear about its plans for the future. You will also meet the Board of Directors and senior management of the Company.

The attached notice of meeting and management information circular describes the business to be conducted at the meeting. Even if you cannot attend the meeting, it is important that your shares be represented and voted by using the enclosed proxy or voting instruction form. We encourage you to familiarize yourself with the issues by reading the management information circular, and then vote as soon as possible. We look forward to your participation.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Steele", written in a cursive style.

Robert G. Steele  
President and Chief Executive Officer

745 Windmill Road, Dartmouth, Nova Scotia B3B 1C2 (902) 468-7557 Facsimile (902) 468-7558

**NOTICE OF ANNUAL GENERAL MEETING  
TO BE HELD ON THE 1<sup>st</sup> DAY OF MAY 2013**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of Newfoundland Capital Corporation Limited (the "Company") will be held in the Baronet Ballroom, Delta Halifax Hotel, 1990 Barrington Street, Halifax, Nova Scotia on Wednesday, the 1<sup>st</sup> day of May, 2013 at the hour of 11:00 a.m. (Atlantic time) for the following purposes:

1. To receive the audited consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2012 together with the report of the auditors thereon;
2. To elect the directors of the Company;
3. To appoint the auditors of the Company and authorize the directors to fix their remuneration;
4. To transact such further or other business as may properly come before the meeting or any adjournments thereof.

**DATED AT DARTMOUTH, NOVA SCOTIA THIS 28<sup>th</sup> DAY OF FEBRUARY, 2013.**

**BY ORDER OF THE BOARD**



**SCOTT G.M. WEATHERBY  
CHIEF FINANCIAL OFFICER AND CORPORATE SECRETARY**

**NOTES:**

1. Shareholders who are unable to be present personally at the meeting are requested to sign and return, in the envelope provided for that purpose, the appropriate Class A Subordinate Voting Shares or Class B Common Shares form of proxy accompanying this notice.
2. Shareholders owning both Class A Subordinate Voting Shares and Class B Common Shares should sign and return both proxy forms.
3. Only holders of Class A Subordinate Voting Shares and Class B Common Shares of the Company of record at the close of business on March 15, 2013 will be entitled to vote at the meeting except to the extent that (a) the shareholder has transferred the ownership of such shares after such date and (b) the transferee of such shares produces a properly endorsed share certificate or otherwise establishes ownership of such shares and demands no later than 48 hours before the meeting that their name be included in the list of shareholders entitled to vote at the meeting.

## HOW TO VOTE

### VOTING BY REGISTERED SHAREHOLDERS (Shares are directly held in your name):

As a registered shareholder, you may vote in one of several ways:

**1. Attend the Annual Meeting**

You are entitled to attend the meeting and cast your vote in person. To vote shares registered in the name of a company, the company must have submitted a properly executed proxy to Canadian Stock Transfer Company appointing you as proxy for the company, or a certified copy of a resolution authorizing you to exercise the company's rights as a shareholder.

Or

**2. By Proxy**

If you do not plan to attend the meeting, you may cast your vote by proxy in one of two ways:

- (a) you may authorize the management representatives of the Company named in the proxy to vote your shares; or
- (b) you may appoint some other person to attend the meeting and vote your shares on your behalf.

To convey your voting instructions, complete the enclosed proxy form in full, sign and return it by mail in the envelope provided or via facsimile to 416.368.2502, toll free to 1-866-781-3111, or e-mail scanned signed proxy to [proxy@canstockta.com](mailto:proxy@canstockta.com).

If you choose option (b), print your appointee's name in the blank space on the enclosed proxy form and indicate how you would like your shares voted. Sign and return the completed proxy form in the envelope provided or mail to the following address: Proxy Department, CIBC Mellon, P.O. Box 721, Agincourt, ON M1S 0A1. Your votes can only be counted if your appointee attends the meeting and votes on your behalf.

*To ensure that your vote is recorded, your proxy must be received by CIBC Mellon at its office no later than 10 a.m. (Toronto time) on April 29, 2013 or if the Annual Meeting is adjourned, no later than 11:00 a.m. (Atlantic time) on the second day before the day which the meeting is adjourned.*

If you are a non-registered shareholder who has asked to be provided with meeting materials, you will have received a package from an intermediary who holds your shares (for example, your broker) that will contain a voting instruction form. The Company does not have the names of its non-registered shareholders. *Carefully follow the instructions that accompany the voting instruction form.* There are two kinds of non-registered shareholders – those who object to their name being made known to the issuers of securities which they own (called "Objecting Beneficial Owners") and those who do not object (called "Non-Objecting Beneficial Owners"). The Company does not intend to pay for your broker or intermediary to forward to Objecting Beneficial Owners the proxy-related materials and voting instruction form. Accordingly, Objecting Beneficial Owners will not receive these materials unless the Objecting Beneficial Owner's broker or intermediary assumes the cost of delivery.

As a non-registered shareholder, you may vote in one of two ways:

**1. Attend the Annual Meeting**

You are entitled to attend the meeting and cast your vote in person as follows:

- (a) You may vote in person at the annual meeting by inserting your name as appointee in the space provided and follow all other instructions provided by your agent.
- (b) You may appoint some other person to attend the meeting and vote your shares on your behalf by inserting his or her name in the space provided as appointee and follow all other instructions provided by your agent.

*(Please note that in both (a) and (b) above, your votes can only be counted if you or your appointee, as applicable, attends and votes these shares at the meeting.)*

Return the completed voting instruction form in the enclosed envelope. When you arrive at the meeting, you should advise the transfer agent that you are a proxy appointee.

Or

**2. By Proxy**

If you hold a voting instruction from an agent of an intermediary:

- (a) You may authorize management appointees as outlined in the voting instruction to vote on your behalf.
- (b) You may vote by mail, telephone or internet, depending on the options provided by the agent.

## QUESTIONS AND ANSWERS ON VOTING

Your vote is important, and you can exercise your right to vote whether you choose to attend the meeting or not. Find out how below:

**Q. Am I entitled to vote?**

**A.** You are entitled to vote if you were a holder of Class A Subordinate Voting Shares or Class B Common Shares as of the close of business on March 15, 2013. Each Class A Subordinate Voting Share is entitled to one vote and each Class B Common Share is entitled to ten votes per share.

**Q. What if I acquire shares after March 15, 2013?**

**A.** In order to vote shares acquired after March 15, 2013, you must produce properly endorsed share certificates or otherwise establish that you own the shares to the satisfaction of the chairman of the meeting. You must also request that your name be included in the list of shareholders no later than 48 hours before the meeting.

**Q. What am I voting on?**

**A.** You will be entitled to vote on resolutions relating to the election of directors, the appointment of auditors, and any other business as may properly come before the meeting.

**Q. How can I vote?**

**A.** How you exercise your vote depends on whether you are a registered or non-registered shareholder. You are a registered shareholder if you have a share certificate registered in your name. You are a non-registered shareholder if your shares are held through an intermediary (for example, a bank, a trustee or a securities broker).

Please refer to the appropriate section for instructions on how to exercise your right to vote.

**Q. Who votes my shares and how will they be voted if I return a proxy form?**

**A.** By properly completing and returning a proxy form, you are authorizing the person named in the proxy to attend the meeting and to vote your shares. The shares represented by your proxy form must be voted as you instruct in the form. If you properly complete and return your proxy form but do not specify how you wish the votes cast, your shares will be voted at the discretion of your proxy if you appoint your own choice of proxy, or in favour of all such matters specified in the Notice of Meeting; if you leave as your proxy management's nominees listed in the form of proxy provided.

**Q. Can I revoke a proxy or voting instruction?**

**A.** If you are a registered shareholder and have returned a proxy form, you may revoke it by:

1. completing and signing a proxy form bearing a later date and delivering it to Canadian Stock Transfer Company; or
2. delivering a written statement, signed by you or your authorized attorney to:
  - (a) the Corporate Secretary of the Company at 745 Windmill Road, Dartmouth, NS B3B 1C2 at any time up to and including April 29, 2013, or the second business day preceding the day to which the meeting is adjourned; or
  - (b) the Chair of the meeting prior to the commencement of the meeting on the day of the meeting or the day to which the meeting is adjourned.

If you are a non-registered shareholder, you may revoke a proxy or voting instruction given to a nominee or an intermediary at any time by written notice to the nominee or intermediary, provided that the revocation is received at least seven days prior to the meeting.

**Q. Who is soliciting my proxy?**

**A.** Your proxy is being solicited on behalf of the management of the Company. The solicitation will be primarily by mail, but may also be made by telephone and in writing.

**Q. Is my vote confidential?**

**A.** Your vote is confidential. Proxies are received, counted and tabulated independently by the Company's transfer agent, Canadian Stock Transfer Company acting as Agent for CIBC Mellon Trust Company. Canadian Stock Transfer Company does not disclose individual shareholder votes to the Company and proxies are not referred to the Company unless a shareholder has made comments clearly intended for management. However, Canadian Stock Transfer Company may, upon request, provide the Company with a status report on the total number of proxies received and the votes in respect of each item of business to be considered at the meeting.

## MANAGEMENT INFORMATION CIRCULAR

### MANAGEMENT SOLICITATION

**The information contained in this Information Circular is furnished in connection with the solicitation of proxies by the management of Newfoundland Capital Corporation Limited (the "Company")** for use at the Annual General Meeting of Shareholders of the Company (the "**Annual Meeting**") to be held on Wednesday, May 1, 2013 at 11:00 a.m. (Atlantic time) in the Baronet Ballroom, Delta Halifax Hotel, 1990 Barrington Street, Halifax, Nova Scotia for the purposes set out in the enclosed Notice of Meeting. This solicitation will be primarily by mail; however, proxies may be solicited personally, or by telephone, by officers or employees of the Company. The cost of solicitation will be borne by the Company.

### APPOINTMENT AND REVOCATION OF PROXIES

**The enclosed proxy is solicited by the management of the Company and a shareholder has the right to appoint a person to represent such shareholder other than the person named in the proxy by inserting the name of such person in the space indicated in the proxy.**

A proxy may be revoked by a registered shareholder giving such proxy by completing and signing a proxy form bearing a later date and delivering it to Canadian Stock Transfer Company, or by delivering a written statement executed by the shareholder or by his or her duly authorized attorney, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney duly authorized, and in any such case, to either Corporate Secretary of the Company at the head office of the Company up to and including April 29, 2013, or the second business day preceding the day to which the meeting is adjourned, or to the Chairman of the meeting prior to the commencement of the meeting on the day of the meeting or the day to which the meeting is adjourned. A proxy may be revoked by a non-registered shareholder by giving written notice to the nominee or intermediary, provided that the revocation is received at least seven days prior to the meeting.

Holders of both Class A Subordinate Voting Shares and Class B Common Shares of the Company are asked to execute and return both the white Class A Subordinate Voting Share proxy form and/or the blue Class B Common Share proxy form, as applicable.

### VOTING OF PROXIES

The shares represented by proxies in favour of management nominees will be voted at the meeting except on those matters for which they have been directed to refrain from voting. Where any matter listed on the form of proxy indicates a choice of action, the shares will be voted in accordance with the choice specified by the shareholder.

**In respect of proxies in which shareholders have not specified the manner in which votes are to be cast, the shares represented by such proxies will be voted in favour of all such matters specified therein.**

The form of proxy also confers discretionary authority upon the persons named therein with respect to amendments or variations of the matters identified in the Notice of Meeting and other matters which may properly come before the meeting. Management knows of no matters to come before the meeting other than those identified in the Notice of Meeting. However, if any other matters which are not known to management should properly come before the meeting, the shares represented by proxies in favour of management's nominees will be voted on such matters in the discretion of the proxy nominee.

### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The only voting securities of the Company are its Class A Subordinate Voting Shares and Class B Common Shares. There are issued and outstanding 25,396,667 Class A Subordinate Voting Shares and 3,771,702 Class B Common Shares. Each Class A Subordinate Voting Share carries the right to one vote and each Class B Common Share carries the right to ten votes. As a class, the Class A Subordinate Voting shares represent 40.2% of the votes on matters at the Annual Meeting. In the event of a vote to change any right, privilege, restriction or condition attached to either the Class A Subordinate Voting Shares or Class B Common Shares, the Class B Common Shares are entitled to one vote per share.

The ten votes attaching to each Class B Common Share shall be decreased to one vote, 180 days following the acquisition of Class B Common Shares pursuant to a take-over bid:

- (a) where the number of Class B Common Shares acquired, together with the number of Class B Common Shares owned on the date of the take-over bid, directly or indirectly, by the offeror(s) or associates, exceeds, in aggregate, 50% of the outstanding Class B Common Shares; and
- (b) where the provisions of the Ontario Securities Act and the by-laws, regulations or policies of a stock exchange on which the Class A Subordinate Voting Shares and Class B Common Shares are both listed, applicable to such take-over bid, have not been complied with (as if the Class A Subordinate Voting Shares and Class B Common Shares were shares of the same class or series having a market price equal to that of the Class B Common Shares).



**Under the share conditions attaching to the Class A Subordinate Voting Shares, holders have no right to participate if a take-over bid is made for Class B Common Shares.** However, Harry R. Steele, who owns directly or indirectly 3,642,002 (96.6%) of the Class B Common Shares, has undertaken not to accept any take-over bid for the Class B Common Shares or to tender these shares under any such bid unless a take-over bid is also made for Class A Subordinate Voting Shares on the same terms and conditions.

The Company is a "constrained-share company" to ensure that it and companies in which it has a direct or indirect interest qualify for the requisite licences to carry on a broadcasting undertaking within the meaning of the *Broadcasting Act*, Canada. For this purpose, the constrained-class consists of persons who are not Canadian citizens or who are companies that are controlled directly or indirectly by citizens or subjects of a country other than Canada. The directors of the Company shall refuse to allow a transfer of a share of the Company to be made or recorded in the register of the Company and shall not accept a subscription for a share of the Company if the result of allowing such transfer or accepting such subscription would be that the shareholders (registered, beneficial or associated) who are members of the constrained-class would exceed either 33<sup>1/3</sup>% of the issued and outstanding voting shares or 33<sup>1/3</sup>% of the votes attaching to the shares of the Company. If a share is issued or if a transfer of a share is registered and it is later found that such share is in fact held by or for the account of any person or corporation so as to jeopardize or adversely affect, in the opinion of the directors, the right of the Company or any subsidiary to obtain, maintain, amend or renew a licence to operate a broadcasting undertaking, such share shall not be entitled to vote, to receive dividends, to receive assets on liquidation nor have any other rights, and the holder of such share shall not be entitled to receive notice of meetings nor to attend or vote at meetings. Such holder shall have the right to sell such share to a person who will not jeopardize the broadcasting undertaking.

Shareholders who are the registered holders of Class A Subordinate Voting Shares and Class B Common Shares in the Company record maintained by Canadian Stock Transfer Company, Inc., Halifax, Nova Scotia at the close of business on March 15, 2013 will be entitled to receive notice of and vote at the meeting except to the extent that (a) the shareholder has transferred the ownership of such shares after such date and (b) the transferee of such shares produces a properly endorsed share certificate or otherwise establishes ownership of such shares to the satisfaction of the chairman of the meeting and demands not later than 48 hours before the meeting that their name be included in the list of shareholders entitled to vote at the meeting.

Harry R. Steele owns directly and indirectly 15,586,715 Class A Subordinate Voting Shares, representing approximately 61.4% of the Class A Subordinate Voting Shares, and 3,642,002 Class B Common Shares, representing approximately 96.6% of the Class B Common Shares.

Dundee Corporation owns 3,042,200 Class A Subordinate Voting Shares representing 12.0% of the Class A Subordinate Voting Shares.

To the knowledge of the directors and officers of the Company, no other person beneficially owns or exercises control or direction over more than 10% of the voting rights attached to any class of securities of the Company.

## ELECTION OF DIRECTORS

The Board of Directors has adopted a majority voting policy that requires in an uncontested election of directors, any nominee who received a greater number of votes “withheld” than votes “for” will tender a resignation to the Board of Directors promptly following our annual meeting. The Audit and Governance Committee will consider the offer of resignation, and except in special circumstances, will recommend that the Board of Directors accept the resignation. The Board of Directors will make its decision and announce it in a press release within 90 days following the annual meeting, including the reasons for rejecting the resignation, if applicable.

Each of the persons whose name appears hereunder is proposed to be elected as a director of the Company to serve until the next annual general meeting of shareholders or until their successor is elected or appointed. IT IS INTENDED THAT THE SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT’S NOMINEES, EXCEPT THOSE DIRECTED TO BE WITHHELD, WILL BE VOTED IN FAVOUR OF THE ELECTION OF SUCH PERSONS AS DIRECTORS OF THE COMPANY.

Name and Principal Occupation	Director Since	Other Directorships	Class A Subordinate Voting Shares	Class B Common Shares	Class A Subordinate Voting Share Options	Stock Appreciation Rights
Michael C. MacDonald <sup>(1)</sup> President, Micco Companies (residential land development and automotive leasing) Bedford, NS, Canada	Nov. 14, 2006	Clearwater Seafoods Income Fund	480,000	–	30,000	–
Allen F. MacPhee <sup>(1)</sup> President, A.F. MacPhee Holdings Ltd. (automotive) Dartmouth, NS, Canada	May 5, 2011	–	60,000	–	–	–
David I. Matheson, Q.C. <sup>(1)</sup> Barrister & Solicitor Toronto, ON, Canada	May 3, 2004 July 21, 1986 to March 17, 1998	–	35,679	–	30,000	–
Harry R. Steele, O.C. Chairman of the Company Dartmouth, NS, Canada	May 10, 1972	–	15,586,715	3,642,002	750,000	–
Robert G. Steele President and CEO of the Company Halifax, NS, Canada	May 1, 1997	–	858,462	21,000	450,000	50,000
Donald J. Warr, FCA <sup>(1)</sup> Blackwood & Warr (Chartered Accountants) St. John’s, NL, Canada	May 2, 1995	Altius Minerals Corp.	23,952	–	90,000	–

Note: <sup>(1)</sup> A member of the Audit and Governance Committee.

## SHAREHOLDER FEEDBACK AND LIAISON

Shareholder feedback, inquiries and concerns are promptly dealt with by management. To date, it has not been necessary for the board of directors of the Company (the “**Board of Directors**”) to take an active role in responding to shareholder feedback, inquiries or concerns. Procedures in place include the Company’s annual meeting, as well as liaison provided through the Company’s Secretary, whose responsibilities include fulfilling the role of Investor Relations Officer.

The Board of Directors functions independently of management. This is achieved in many ways, which include the structure and mandate of the Board of Directors and its Audit and Governance Committee; the majority of independent directors; the quality of the Board members that the Company has been able to attract; the active participation of such members; and the strongly held views of both management and the Board of Directors concerning independence from each other. The Board of Directors is satisfied that it operates independently of management.

For further information on the Company’s corporate governance practices refer to Appendix A.

## STATEMENT OF EXECUTIVE COMPENSATION

### 1. Objectives of Statement of Executive Compensation

The statement of executive compensation provides information on direct and indirect compensation paid to certain executive officers, the Chairman of the Board and other directors, in connection with services they have provided to the Company. This Section will describe how decisions are made as they relate to determining the appropriate level of executive compensation paid, payable, awarded, granted or otherwise provided, directly or indirectly, by the Company to each Named Executive Officer. The Company's Named Executive Officers are: Harry R. Steele, Chairman of the Board (the "Chairman"), Robert G. Steele, President and Chief Executive Officer ("CEO"), David J. Murray, Chief Operating Officer ("COO"), and Scott G.M. Weatherby, Chief Financial Officer and Corporate Secretary ("CFO").

#### 1.1 Compensation Governance

##### *(a) Composition of Committee responsible for overseeing compensation policies and practices*

The Company does not have a separate Compensation Committee. Instead, the Audit and Governance Committee (the "Committee"), which is made up of independent members of the Board of Directors, is responsible for monitoring, reviewing and providing guidance on executive compensation. These independent Committee members are:

Michael C. MacDonald  
Allen F. MacPhee  
David I. Matheson, Q.C.  
Donald. J Warr, FCA

The Committee members, as a whole, have the necessary relevant experience to carry out their duties and responsibilities for executive compensation as well as the skills and competencies to make decisions on the suitability of the Company's compensation policies and practices. Specifically, the majority of members of the Committee currently have, or have held, senior management roles of organizations with human resources staff and senior management reporting to them on executive compensation. One of the members, a former partner for Ernst & Young, has had many years of experience advising owner-managers and boards of directors on compensation matters. The members, having held leadership positions, have had to provide advice on, or manage and oversee, sound compensation practices that were aligned with the best interests of shareholders and employees, and that promoted sustainability. Their combined experience, along with the fact that all of these members are financially literate, speaks to their financial expertise with respect to executive compensation.

##### *(b) Executive Compensation – Policies and Practices and Risk Oversight*

The Committee's mandate within the Charter of the Committee, which is available on the Company's website at [www.ncc.ca](http://www.ncc.ca), includes compensation duties. In carrying out its compensation responsibilities, the Committee reviews the risks associated with executive compensation so as to reasonably ensure that compensation policies and practices do not encourage excessive risk-taking or result in a material adverse effect on the Company. The Committee constantly examines compensation policies to satisfy itself that no compensation practices could or would encourage risk-taking or affect the Company adversely. The Company maintains a system of internal controls, which the Committee monitors on a regular basis, that discourages risky transactions and behaviour. The Committee reviews recommendations of management related to salary increases as well as annual and long-term incentive plans. The Committee provides advice on terms and conditions of employment so as to ensure they are designed to advance the growth and profitability objectives of the Company and to attract senior employees for long-term organizational commitment. In carrying out this mandate the Committee carefully considers the contribution made by each of the Named Executive Officers. The Company does not ordinarily engage in risky types of compensation programs such as, for example, awarding for short-term objectives or paying in advance of the completion of a project or objective. The Company has a consistent and straightforward compensation structure for all executives which is heavily weighted on pay-for-performance.

As described under section 2 below, the Company's compensation structure is fairly straightforward. It includes base salary, annual incentive plan (annual bonus), long-term incentives (executive stock options and stock appreciation rights) and pension benefits. The Committee, through completing its compensation duties, has not identified any risks related to the Company's compensation policies and practices that would reasonably likely have a material adverse effect on the Company. Risks and uncertainties that could have a material adverse effect on the Company are included in the Management's Discussion and Analysis ("MD&A") and no such risk relates to executive compensation.

Although the Company has not adopted a policy that disallows Named Executive Officers to purchase financial instruments designed to hedge any equity-based compensation awards or the value of the securities they hold, the Company is not aware of any Named Executive Officers having adopted such practice.

##### *(c) Compensation consultants*

The Company has not engaged the services of compensation consultants in the two most recent years. The Company, however, does periodically engage the services of compensation consultants.

## 2. Compensation Discussion & Analysis

### 2.1 Compensation Discussion & Analysis

#### *(a) Objectives of the Compensation Program*

The Company's executive compensation program is based on attracting, motivating and retaining high-quality executives by providing a competitive level of compensation that rewards individual performance. Overall compensation is intended to maintain a fair and equitable relationship among the various positions within the Company, while recognizing individual employee contributions toward the achievement of the Company's overall short-term and long-term goals and objectives.

#### *(b) What the Compensation Program is Designed to Reward*

The Company's executive compensation program is designed to provide a competitive level of compensation, to reward individual performance and to provide incentives to executives to achieve and exceed performance-based goals. The Company's compensation policy is therefore heavily weighted towards pay-for-performance components. Performance goals are substantially based on improving the Company's financial results and therefore, individual goals are aligned with shareholder interests.

The compensation program has been established to compete with those of other public entities that are similar to the Company. In this respect, compensation practices of other public entities are compared to the Company's programs. Market information is compiled from public entities involved in the broadcasting industry, as well as Atlantic Canadian-based public entities of similar size. Nine public entities are considered for purposes of reviewing and establishing the Company's compensation program and those are: Astral Media Inc., Clarke Inc., Clearwater Seafoods Income Fund, Corus Entertainment Inc., Crombie REIT, High Liner Foods Inc., Killam Properties Inc., Major Drilling Group International Inc., and Rogers Communications Inc. While these companies form the "**Comparator Group**", the Committee, in conducting their compensation-related duties, also reviews general executive compensation surveys, other market indicators and considers the Company's actual and past financial performance against targets and against results of the Comparator Group.

#### *(c) Elements of Compensation, Determination of Amounts for each Element, and Rationale for Amounts of each Element*

The major elements of the Company's executive compensation program are base salary, performance based compensation and long-term compensation in the form of granting executive stock options, stock appreciation rights, and retirement benefits.

For all Named Executive Officers other than the CEO, and the Chairman, the compensation policies and guidelines are recommended by the CEO and approved by the Committee. The compensation for the CEO and the Chairman is recommended by the Committee and approved by the independent members of the Board of Directors. The following sections (2.1.1 to 2.1.4) effectively describe the compensation policies and guidelines applicable to the NEO's, excluding the CEO and the Chairman. The compensation policies and guidelines related to the CEO and Chairman are described in section 2.1.5 and 2.1.6, respectively.

Personal benefits and other perquisite benefits provided to senior management are reflective of generally accepted and competitive practices in the industry.

#### **2.1.1 Base Salaries**

Base salary compensates management for discharging their duties in respect of their position descriptions. Salaries are reviewed on an annual basis. Factors considered in setting base salaries include corporate as well as individual performance, the requirements of their position, the executive's skills and experience, overall teamwork, job complexity and competence compared to executives in similar roles in comparable companies.

Each of these factors is reviewed in accordance with the contribution expected of the individual executive officer. The base salaries from the Comparator Group information from 2011, and 2012 when available, was compared to the Company's base salaries; particular attention was paid to the Atlantic-Canadian based Comparators as the size, revenue and asset bases were more comparable to the Company's.

2012 base salaries for all Named Executive Officers were set by applying an inflationary factor of approximately 2% to the 2011 base salaries. This decision was approved by the Committee and by the Board as it related to the CEO's base salary.

#### **2.1.2 Performance Based Compensation**

An annual incentive plan is an integral part of a balanced compensation program. The method of determining performance based compensation for Named Executive Officers, as determined by the Committee, takes into account essential quantitative factors such as the Company's actual performance against its budget, as well as various other

quantitative and qualitative elements, outlined below. Personal achievement, including extraordinary performance beyond the normal expectations for an individual's position, is also taken into account.

No pre-determined quantitative formula in 2012 was used to compute performance based compensation. The compensation was determined subjectively, with the weighting allocated to each of the following factors also subjective (this list is not exhaustive): personal performance against corporate goals, corporate performance versus budget, achievement of corporate short-term objectives, results of radio industry ratings for the Company's radio stations, and local and national advertising revenue compared to the radio industry. The corporate short-term objectives in 2012 included, but were not limited to, growing organic operations by increasing revenue and controlling discretionary costs, maintaining and/or improving industry ratings, focusing on strategic initiatives to grow the Company in the immediate term and reviewing acquisition opportunities as they arose. Performance based compensation of senior management employed by the Comparator Group, particularly those employed by Atlantic-Canadian entities, was also used as a benchmark. The Named Executive Officers were collectively awarded performance based bonuses of \$2,100,000 in 2012 based on the above-mentioned factors. The performance based bonuses were the same as those paid in 2011.

### **2.1.3 Long-Term Compensation**

A key component to the future success of the Company is to have its team of executive officers focus on long-term performance and increased shareholder value through the pursuit of its strategic plans. The Company's long-term compensation plans are designed to encourage its executive officers to maintain an ownership focus to align the objectives of the shareholders with that of the senior executives with the goal of maximizing shareholder value. In doing so the Company believes this will attract high quality individuals.

The Company under its Executive Stock Option Plan ("**Option Plan**") issues stock options to selected directors and employees. The number of options provided to specific individuals is determined at the discretion of the Committee, approved by the Board of Directors, subject to the maximum allowed in the Option Plan. The maximum number of Class A Subordinate Voting Shares ("**Class A Shares**") issued to insiders within a one-year period may not exceed 10% of the number of outstanding Class A Subordinate Voting Shares and the maximum number of Class A Shares reserved for issuance to insiders at any time may not exceed 10% of the number of outstanding Class A Shares.

As at December 31, 2012, the number of Class A shares issuable pursuant to the Option Plan was 10,500,000, of which 7,280,030 Class A shares have been issued upon the exercise of options, leaving 3,219,970 reserved for issuance. The number of Class A shares underlying outstanding options under the Option Plan is 2,530,000. 689,970 options remain available to grant. The exercise price per option is determined by the Board of Directors at the time the option is granted but cannot be less than either the closing price of the shares on the last trading date preceding the date of the grant or the average closing price of the preceding twenty trading days. The expiry date of the options is established by the Board of Directors. Options either vest on the date they are granted or vest over time in the following manner: twenty-five percent vest on the date of granting and twenty-five percent vest on each of the three succeeding anniversary dates. Further information on the Company's Option Plan is described in the Section entitled *Equity Compensation Plan*.

The Company has also established a stock appreciation rights plan ("**SAR Plan**") to reward selected Directors and employees. As at December 31, 2012 there were 170,000 rights outstanding at reference prices ranging from \$5.73 to \$7.11. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five. The rights are exercisable as they vest. All rights granted under this plan expire on the sixtieth day following the fifth anniversary of the grant date. Expiry dates of the rights vary between April 25, 2014 and February 12, 2015. At the date of exercise, cash payments are made to the holders based on the difference between the reference price and the market value of the Company's Class A shares.

Long-term compensation recommendations made by the Committee were submitted to the Board for approval. During 2012, no stock options were granted to the Company's Named Executive Officers. As at December 31, 2012, the Named Executive Officers held a total of 1,690,000 stock options which represents 6.7% of the total outstanding Class A Shares. As at December 31, 2012 1,670,000 of these options were fully vested and exercisable. In 2012, no stock appreciation rights were awarded to Named Executive Officers and they held 50,000 of the total 170,000 outstanding stock appreciation rights as at December 31, 2012. This represents 29.4% of the total stock appreciation rights under the SAR Plan. A total of 85,000 of these stock appreciation rights were fully vested and exercisable as at December 31, 2012.

### **2.1.4 Other Compensation**

Other compensation relates to employer contributions toward the Company's Employee Share Purchase Plan ("**Share Purchase Plan**") and to life insurance policies. The Company's Share Purchase Plan is established for all employees of the Company. Under this plan, employees have the option to purchase Class A Shares and the Company will contribute one third of the employees' contributions toward the purchase of the Class A Shares. See "Equity Compensation Plan" for further details on this plan.

### **2.1.5 President and Chief Executive Officer (“CEO”)**

#### *(a) Base Salary*

The Committee conducts an annual review of the CEO’s performance and the contents of this review are communicated to the Board of Directors for final determination. Factors included, but not limited to, are: success in maximizing shareholder value; ensuring the Company is positioned for continued profitable growth; performance against operating and capital budgets; and goals as established from time to time by the Committee and agreed to by the CEO and the Board of Directors. The amount is determined in a subjective manner and includes comparing the CEO’s base salary to the salaries paid to CEO’s in the Comparator Group, especially those operating in Atlantic Canada. 2012 base salary for the CEO was \$453,500.

#### *(b) Performance Based Compensation*

The CEO’s performance based compensation was measured by comparing financial results to the targets established at the beginning of the year, by comparing the achievement of corporate goals against corporate strategies and by considering the achievement of personal objectives. The financial, corporate and personal goals of the CEO are determined by the Committee at the beginning of each fiscal year and are reviewed and approved by the Board of Directors and the CEO. Some of these goals included, but were not limited to: appropriate reaction to economic and corporate challenges; focusing on strategic initiatives to grow the Company in the immediate term; and reviewing acquisition opportunities that fit the Company’s acquisition criteria. The amount was not based on a pre-determined formula; rather, the Committee compared the CEO’s bonus to those paid to CEO’s in the Comparator Group and subjectively determined an amount to be approved by the Board of Directors, based on the above factors. For the year ended December 31, 2012, the Committee awarded the CEO a bonus of \$650,000, consistent with 2011.

#### *(c) Long-Term Compensation*

The CEO was not granted any stock appreciation rights during 2012. As at December 31, 2012 the CEO held 1.8% of the outstanding Class A shares through stock options and 29.4% of the total stock appreciation rights outstanding under the SAR Plan.

#### *(d) Other Compensation*

Other compensation relates to employer contributions made toward the Company’s Share Purchase Plan and to a life insurance policy. The Company’s Share Purchase Plan was described under Section 2.1.4.

### **2.1.6 Chairman of the Board**

#### *(a) Base Salary*

As of May 1, 1998, Mr. Harry R. Steele no longer receives salary but is drawing full pension benefits. For a full description of these pension benefits, refer to Section 5.1.

#### *(b) Performance Based Compensation*

The Chairman’s performance based compensation was determined by the Committee in reference to the Comparator Group and by assessing his achievements in his chairmanship and other roles he fulfills for the Company. The Committee’s recommendation was then approved by the independent members of the Board of Directors. In 2012, the performance based compensation was set at \$850,000, consistent with 2011.

#### *(c) Long-term Compensation*

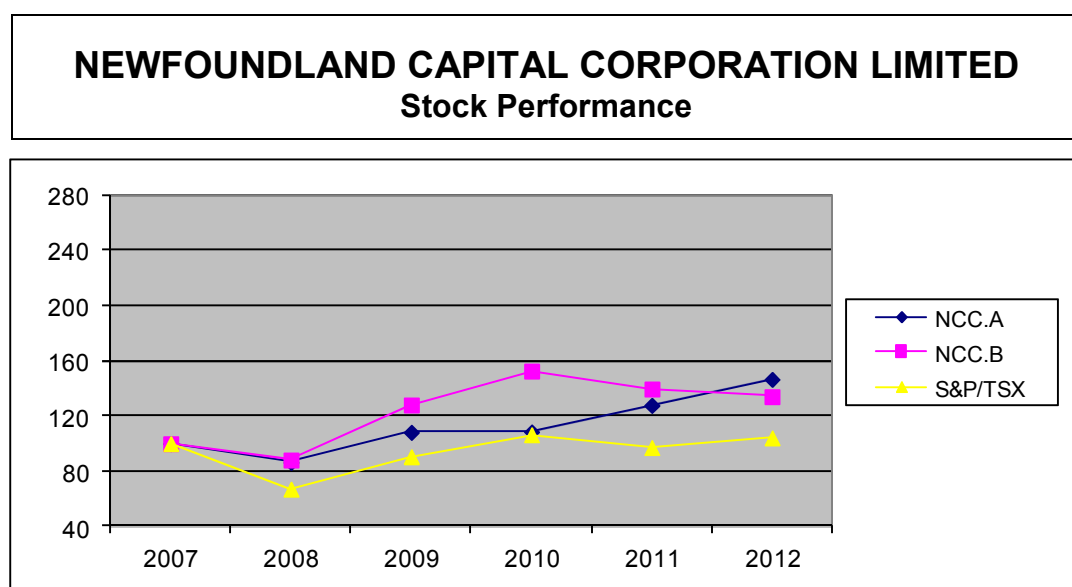
No stock options or stock appreciation rights were granted to the Chairman in 2012. As at December 31, 2012 the Chairman held 3.0% of the outstanding Class A shares through stock options. The Chairman holds no stock appreciation rights.

#### *(d) Other Compensation*

Other compensation is determined by the Committee and approved by the independent members of the Board of Directors. This includes the Chairman of the Board fees. Every year, the Committee reviews these fees in relation to what is being paid to chairpersons of the Comparator Group, and other market information is also used to determine the appropriate amount. The amount in 2012 was \$105,000, consistent with prior years. Other compensation also includes payments toward a life insurance policy and contributions toward the Company’s Share Purchase Plan, the latter being described under Section 2.1.4.

## 2.2 Performance Graph

The following graph shows changes over the past five-year period in the value of \$100 invested in (1) the S&P/TSX Total Return Index and (2) Newfoundland Capital Corporation Limited Class A Subordinate Voting Shares and (3) Newfoundland Capital Corporation Limited Class B Common Shares as of December 31, 2012.



S&P/TSX	100.00	67.00	90.48	106.41	97.14	104.13
NCC.A	100.00	86.38	108.16	108.47	127.65	146.55
NCC.B	100.00	88.14	128.04	152.45	139.49	134.06

The above graph demonstrates growth in share value from 2007 to 2012. 2008 shows a decline which is consistent with the global economic downturn while 2009 results rebound which is also consistent with global market movements.

Executive compensation paid over the course of the years has followed the trend of this performance graph. In 2008, executive compensation was not increased over the prior year's amount; it remained similar to 2007 compensation because of the economic conditions and the fact that the Company's financial results were in line with those of 2007. Modest base salary increases were granted for fiscal 2011 and 2012, and the 2012 performance-based amounts were the same as 2011 because the Company's operational and financial performance were similar to 2011 performance.

## 2.3 Options-Based Awards

The granting of executive stock options, under the Option Plan, or stock appreciation rights, under the SAR Plan, form part of the Company's long-term compensation program. The Option Plan was developed several years ago. The SAR Plan was adopted in 2006. Both plans were put in place to align senior management's commitment and performance with the long-term financial growth of the Company and maximization of shareholder value.

The annual review of executive compensation by the Audit and Governance Committee (which is also charged with compensation and nomination duties) includes the determination of whether or not to grant executive stock options and/or stock appreciation rights. The Audit and Governance Committee sets forth its executive compensation recommendations to the Board of Directors for approval. The determination of whether or not to grant executive stock options or stock appreciation rights is subjective rather than formula-based and takes into account recommendations made by the CEO and historical compensation by taking into account the amount and timing of previous grants. Communication between the Chair of the Audit and Governance Committee, the CEO and the Chairman of the Board is open and they each have complete access to one another to discuss compensation matters.

In 2012 no stock options or stock appreciation rights were granted to Named Executive Officers. In 2011, 40,000 stock options were granted to Named Executive Officers.

### 3. Summary Compensation Table

The following table sets forth all forms of executive compensation of the Named Executive Officers for the 2012, 2011 and 2010 financial years.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards <sup>(7)</sup> (\$)	Annual incentive plans (\$)	Long-term incentive plans (\$)	Pension value <sup>(6)</sup> (\$)	Other Annual Compensation (\$)	Total compensation (\$)
Harry R. Steele Chairman	2012	–	–	–	850,000 <sup>(1)</sup>	–	333,000	243,201 <sup>(4)</sup>	1,426,201
	2011	–	–	–	850,000 <sup>(1)</sup>	–	330,000	241,245 <sup>(4)</sup>	1,421,245
	2010	–	–	–	750,000 <sup>(1)</sup>	–	328,000	252,632 <sup>(4)</sup>	1,330,632
Robert G. Steele President and Chief Executive Officer	2012	453,500	–	–	650,000 <sup>(2)</sup>	–	23,820	– <sup>(5)</sup>	1,127,320
	2011	444,500	–	–	650,000 <sup>(2)</sup>	–	22,450	– <sup>(5)</sup>	1,116,950
	2010	433,500	–	–	500,000 <sup>(2)</sup>	–	22,450	– <sup>(5)</sup>	955,950
David J. Murray Chief Operating Officer	2012	251,000	–	–	350,000 <sup>(3)</sup>	–	11,910	– <sup>(5)</sup>	612,910
	2011	246,000	–	19,400	350,000 <sup>(3)</sup>	–	11,225	– <sup>(5)</sup>	626,625
	2010	240,000	–	–	250,000 <sup>(3)</sup>	–	10,475	– <sup>(5)</sup>	500,475
Scott G.M. Weatherby, Chief Financial Officer and Corporate Secretary	2012	229,500	–	–	250,000 <sup>(3)</sup>	–	22,950	– <sup>(5)</sup>	502,450
	2011	225,000	–	19,400	250,000 <sup>(3)</sup>	–	22,450	– <sup>(5)</sup>	516,850
	2010	194,000	–	–	175,000 <sup>(3)</sup>	–	19,400	– <sup>(5)</sup>	388,400

Notes:

- (1) See Section 2.1.6 Chairman of the Board, paragraph (b) performance based compensation.
- (2) See Section 2.1.5 President and Chief Executive Officer, paragraph (b) performance based compensation.
- (3) See Section 2.1.2 Performance based compensation.
- (4) See Section 2.1.6 Chairman of the Board, paragraph (d) other compensation for a breakdown of amounts included as other annual compensation. Included in the total, \$105,000 was paid for Chairman fees and \$138,201 related to contributions made toward a life insurance policy.
- (5) See Section 2.1.4 Other Compensation and Section 2.1.5 President and Chief Executive Officer, paragraph (d) other compensation for the make up of other annual compensation. Perquisites for these Named Executive Officers have not been disclosed because they do not reach the prescribed threshold of the lesser of \$50,000 or 10% of total salary for the financial year.
- (6) See Section 5.1 Defined Benefit Plans & Section 5.2 Defined Contribution Plan. The amounts shown for Harry R. Steele represent pension benefit payments from a non-registered supplementary arrangement more fully described under the Defined Benefit Plan table in Section 5.1.
- (7) See Section 2.1.3 Long-Term Compensation for details on option-based awards. The value of the above option-based awards was determined, using IFRS 2 Share-based payment guidance, based on the grant date fair value using the Black-Scholes-Merton option-pricing model with the following assumptions:
  - i. Risk-free interest rate: 1.22%
  - ii. Expected volatility in the market price of shares: 26.5%
  - iii. Expected dividend yield: 2.37%
  - iv. Expected life: 5 years

The Fair Value per option was calculated at \$0.97.



#### 4. Incentive Plan Awards

##### 4.1 Outstanding Share-Based Awards and Option-Based Awards

The following table indicates all option-based awards outstanding as at December 31, 2012 for all Named Executive Officers. The Company does not provide a share-based award program.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date (M/D/Y)	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of securities underlying unexercised SARs (#)	SARs reference price (\$)	SARs expiration date (M/D/Y)	Value of unexercised in-the-money SARs <sup>(1)</sup> (\$)
Harry R. Steele	150,000	2.83	12/31/2017	4,723,500	–	–	–	–
	600,000	2.67	05/26/2018					
Robert G. Steele	90,000	2.83	12/31/2017	2,475,300	50,000	7.11	02/12/2015	94,500
	30,000	2.67	05/26/2018					
	30,000	2.43	12/14/2018					
	300,000	3.89	12/15/2019					
David J. Murray	20,000	7.46	12/15/2016	357,600	–	–	–	–
	90,000	6.48	12/06/2017					
	50,000	7.00	12/14/2019					
Scott G.M. Weatherby	20,000	7.46	12/15/2016	1,622,500	–	–	–	–
	75,000	2.80	05/01/2017					
	60,000	6.48	12/06/2017					
	150,000	2.83	12/31/2017					
	25,000	7.00	12/14/2019					

Notes:

<sup>(1)</sup> The value of unexercised in-the-money options and SARs at December 31, 2012 (for options and SARs vested and unvested) is the difference between the TSX closing price of the Class A Shares on December 31, 2012 (\$9.00) and the exercise prices for options and reference prices for SARs. The values above have not been, and may never be, realized. Actual gains, if any, on exercise will depend on the value of the Class A Subordinate Voting Shares on the date the options and SARs are exercised.

##### 4.2 Incentive Plan Awards – Value Vested During the Year

The following tables show the dollar value that would have been realized if stock options and SARs that vested in 2012 had been exercised in 2012 by Named Executive Officers. The Company does not maintain a non-equity incentive plan.

###### Stock Options

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (\$)	Options vested during the year (#)	Options exercised during the year (#)	Exercise Price (\$)	Expiry Date (M/D/Y)
David J. Murray	17,500	12,500	–	7.00	12/14/2019
	4,700	5,000	–	7.46	12/15/2016
Scott G.M. Weatherby	8,750	6,250	–	7.00	12/14/2019
	4,700	5,000	–	7.46	12/15/2016

Note:

<sup>(1)</sup> The options granted pursuant to the Option Plan are exercisable as follows: 25% vest on the date of grant and 25% vest on each of the three succeeding anniversary dates. The value calculated is determined based on the number of options vested in 2012 and based on the difference between the exercise price and the TSX closing price of the Class A Shares on the date options vested.

## SARs

Name	SARs awards – Value vested during the year <sup>(1)</sup> (\$)	SARs vested during the year (#)	SARs exercised during the year (#)	Reference Price (\$)	Expiry Date (M/D/Y)
David J. Murray	51,000	37,500	150,000	6.64	–
Robert G. Steele	32,250	25,000	–	7.11	2/12/2015

Note:

<sup>(1)</sup> The SARs granted pursuant to the SAR Plan are exercisable as follows: 50% at the end of year three, 25% at the end of year four and 25% at the end of year five. The value calculated is determined based on the number of SARs vested in 2012 and based on the difference between the SAR reference price and the market value of the Class A Shares on the date SARs vested.

## 5. Pension Plan Benefits

### 5.1 Defined Benefit Plans

The following Named Executive Officer benefits from the Company's Basic Plan and from the Company's SRPA (both defined in Section 5.3). The table below shows the amounts for benefits payable and accrued obligations under these plans as at December 31, 2012.

Name	Number of years credited service (#)		Annual lifetime benefits payable (\$) <sup>(2)</sup>		Accrued obligation at start of year <sup>(3)</sup> (\$)	Compensatory change <sup>(4)</sup> (\$)	Non-compensatory change <sup>(5)</sup> (\$)	Accrued obligation at year end <sup>(1)(6)</sup> (\$)
	Basic Plan	SRPA	At year end	At age 85				
Harry R. Steele <sup>(1)</sup>	18	28	613,000	614,000	5,056,000	–	(171,000)	4,885,000

Notes:

<sup>(1)</sup> The Chairman, Mr. Harry R. Steele, who has reached retirement age, receives an annual pension from the registered plan and from a non-registered supplementary arrangement. The amounts for 2012 were \$38,500 and \$333,000, respectively and are reductions to the accrued obligations at year end. In addition, at the time of Mr. Steele's retirement as Chairman of the Board, his pension will be re-determined as 66 2/3% of the average of his best 3 consecutive years of earnings. Earnings for this purpose include his annual supplementary pension, Chairman's fee and performance based compensation (performance based compensation is capped at \$500,000 for this calculation). The age at which Harry R. Steele is expected to retire as Chairman of the Board, solely for the purposes of this pension calculation, is 85.

<sup>(2)</sup> Amounts are determined based on earnings, credited service up to December 31, 2012, Income Tax Act maximums, and other information as disclosed in *Section 5.3 – Narrative Discussion* below.

<sup>(3)</sup> The accrued obligation at the start of the year is the value of the projected pension earned to December 31, 2012 and is based on assumptions as at December 31, 2012, which is the plan measurement date. The assumptions used for both pension plans are disclosed in note 11 in the Company's audited consolidated financial statements for the year ended December 31, 2012.

<sup>(4)</sup> From January 1, 2012 to December 31, 2012, compensatory changes were nil.

<sup>(5)</sup> From January 1, 2012 to December 31, 2012, non-compensatory changes included interest on the accrued obligation, experience gains or losses that are not compensatory and a change in the retirement age assumption from 84 to 85.

<sup>(6)</sup> The accrued obligation at year end is the value of the projected pension earned to December 31, 2012 and is based on assumptions as at December 31, 2012, which is the plan measurement date. The assumptions used for both pension plans are disclosed in note 11 in the Company's audited consolidated financial statements for the year ended December 31, 2012.

## 5.2 Defined Contribution Plan

The following Named Executive Officers benefit from the Company's defined contribution plan and these are the accumulated values for benefits payable to these individuals as at December 31, 2012.

Name	Accumulated value at start of year (\$)	Compensatory change (\$)	Non-compensatory change (\$)	Accumulated value at year end (\$)
Robert G. Steele	239,290	23,820	17,559	280,669
David J. Murray	349,010	11,910	36,763	397,683
Scott G.M. Weatherby	208,904	22,950	17,504	249,358

## 5.3 Narrative Discussion

The Company maintains a defined contribution employee pension plan covering the majority of its employees. The Company's contributions to the defined contribution plan are based upon percentages of gross salaries. The Company makes contributions to this plan on behalf of Mr. Robert G. Steele, Mr. David J. Murray and Mr. Scott G.M. Weatherby and these amounts are included in the Defined Contribution Table in the column entitled Compensatory change.

The Company also maintains a registered defined benefit plan ("Basic Plan") for a small group of the Company's current and former employees. The plan provides pension benefits based on length of service and the last five years' of average earnings of each member. The Company measures its accrued benefit obligations and fair value of plan assets for accounting purposes as of December 31 of each year. The most recent actuarial valuation of the pension plan was December 31, 2009.

In addition, the Company has two individual Supplementary Retirement Pension Arrangements ("SRPA's") that each pay a pension to a retired executive. These SRPA's provide benefits over and above that which can be provided under the Income Tax Act, and are thus not pre-funded. Unamortized costs of the SRPA's are expensed over the expected average remaining life of the participating executives.

Mr. Harry R. Steele is the only Named Executive Officer that benefits from the Basic Plan and the SRPA. As mentioned under Section 5.1 Defined Benefit Plans, Mr. Harry R. Steele has reached retirement age and receives pension benefits from the Basic Plan and the SRPA. At the time Mr. Harry R. Steele retires as Chairman of the Board, his pension benefits will be re-determined; further discussion on this is included in footnote 1, under the Defined Benefit Plans table, Section 5.1.

## 6. Termination and Change of Control Benefits

No Named Executive Officers have employment agreements with the Company. There are no specific arrangements for Named Executive Officers that resign. In the event a Named Executive Officer's employment was terminated, involuntarily or constructively, or if the responsibilities of a Named Executive Officer were changed, arrangements, if any, would be determined at that time consistent with applicable employment laws.

### 6.1 Change of Control Benefits

There are no arrangements for any form of compensation payable to Named Executive Officers in the event of a change of control. Change of control for these purposes is defined as: a sale or acquisition of more than 50% of the Company's outstanding shares or a sale or acquisition of substantially all of the Company's assets or a sales or acquisition of all of the Company's shares. As at December 31, 2012, had a change of control event occurred, the values of all benefits that would be payable to each Named Executive Officer have previously been disclosed. For amounts related to pension benefits, please refer to Section 5.1 *Defined Benefit Plans* and Section 5.2 *Defined Contribution Plan* for amounts owing to each Named Executive Officer as at December 31, 2012. Amounts payable related to the Option Plan and the SAR Plan have been disclosed in Section 4.1.

### 6.2 Retirement Benefits

Like change of control benefits, there are no special arrangements for compensation to Named Executive Officers that differ from what has previously been disclosed. Pension benefits payable as at December 31, 2012, if a Named Executive Officer had retired, was disclosed in Section 5.1 *Defined Benefit Plans* and Section 5.2 *Defined Contribution Plan*. Under the Option Plan and the SAR Plan, so long as a retired Named Executive Officer was deemed to be an eligible retiree by the Board of Directors, the terms of the stock options and SAR rights would remain the same. As such, the values for amounts payable under the Option Plan and the SAR Plan have been disclosed in Section 4.1 *Outstanding Share-Based Awards and Option-Based Awards*.

## 7. Director Compensation

### 7.1 Director Compensation Table

The following table shows all forms of compensation paid to the directors of the Company for the year ended December 31, 2012. No amounts are disclosed for Mr. Harry R. Steele and Mr. Robert G. Steele because they are Named Executive Officers of the Company and their compensation has been previously disclosed.

Name	Fees earned <sup>(1)</sup> (\$)	Share-based awards	Option-based awards	Non-equity incentive plan compensation	Pension value	All other compensation	Total (\$)
Michael C. MacDonald	52,000	–	–	–	–	–	52,000
Allen F. MacPhee	52,000	–	–	–	–	–	52,000
David I. Matheson <sup>(2)</sup>	77,500	–	–	–	–	–	77,500
Donald J. Warr	52,000	–	–	–	–	–	52,000

Notes:

- <sup>(1)</sup> The annual fees paid to non-executive Directors were an annual retainer fee of \$30,000, \$10,000 for Board Meeting attendance fees, and \$12,000 for Audit and Governance Committee meeting attendance fees. The fees were paid quarterly in the form of cash.
- <sup>(2)</sup> David I. Matheson, the Chairman of the Audit and Governance Committee as well as the Chairman of the Disclosure Committee, was paid Chairman fees of \$17,500 and Disclosure Committee attendance fees of \$8,000.

### 7.2 Narrative Discussion

The Audit and Governance Committee members, pursuant to their nomination and compensation duties, review the compensation of non-executive Directors annually. The Committee members compared the Director compensation provided by the Comparator Group (discussed in, Section 2.1 *Compensation Discussion & Analysis*, paragraph (b)) to the Company's Director compensation in order to determine if the level paid by the Company was appropriate and competitive. The Committee members also look at general compensation surveys annually to compare the Company's Director compensation to generally accepted practices for public entities.

No Director compensation is provided to Directors who are also Named Executive Officers of the Company, except for the Chairman who received a Chairman's fee of \$105,000.

Directors' and officers' liability insurance has been purchased by the Company for the benefit of the directors and officers of the Company and its subsidiaries. For the fiscal year ended December 31, 2012, the premium for such insurance was \$53,300 which was paid by the Company. The aggregate insurance coverage obtained under the policy is limited to \$20,000,000 for any one loss. The deductible to be borne by the Company is \$100,000 for each loss.

### 7.3 Outstanding Share-Based Awards and Option-Based Awards

The following table indicates all option-based awards outstanding as at December 31, 2012 for all non-executive Directors. The Company does not provide a share-based award program.

Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date (M/D/Y)	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	SARS exercised during the year (#)	SARS reference price (\$)	SARS expiration date (M/D/Y)
Michael C. MacDonald	30,000	6.48	12/06/2017	75,600	15,000	6.14	–
David I. Matheson	30,000	6.48	12/06/2017	75,600	–	–	–
Donald J. Warr	30,000	2.67	05/26/2018	462,600	–	–	–
	30,000	2.43	12/14/2018				
	30,000	6.48	12/06/2017				

Note:

- <sup>(1)</sup> The value of unexercised in-the-money options and SARS at December 31, 2012 (for options and SARS vested and unvested) is the difference between the TSX closing price of the Class A Shares on December 31, 2012 (\$9.00) and the exercise prices for options and reference prices for SARS. The values above have not been, and may never be, realized. Actual gains, if any, on exercise will depend on the value of the Class A Subordinate Voting Shares on the date the options and SARS are exercised.

#### 7.4 Incentive Plan Awards – Value Vested During the Year

During 2012, none of the non-executive Directors' stock options vested. The following tables show the dollar value that would have been realized if SARs that vested in 2012 had been exercised in 2012 by all non-executive Directors. The Company does not maintain a non-equity incentive plan.

#### SARs

Name	SARs awards – Value vested during the year <sup>(1)</sup> (\$)	SARs vested during the year (#)	SARs exercised during the year (#)	Reference Price (\$)	Expiry Date (M/D/Y)
Michael C. MacDonald	6,225	3,750	15,000	6.14	–

Note:

- (1) The SARs granted pursuant to the SAR Plan are exercisable as follows: 50% at the end of year three, 25% at the end of year four and 25% at the end of year five. The value calculated is determined based on the number of SARs vested in 2012 and based on the difference between the SAR reference price and the market value of the Class A Shares on the date the SARs vested.

#### EQUITY COMPENSATION PLAN

Under the Company's Option Plan, options may be granted for the purchase of Class A Subordinate Voting Shares of the Company.

The essential features of the Option Plan are as follows:

- (i) The purpose of the Option Plan is to enable directors, officers, employees of the Company and persons engaged by the Company and its affiliates to provide services for an initial, renewable or extended period of twelve months or more, to acquire a proprietary interest in the Company and to utilize stock options as a component of long-term compensation to employees of the Company.
- (ii) The number of Class A Subordinate Voting Shares issuable under the Option Plan in aggregate since 1994 was 10,500,000 (on a post-split basis following the stock split effected on November 25, 2009), being approximately 41% of the Class A Subordinate Voting Shares outstanding at February 28, 2013, of which 7,280,030 Class A Subordinate Voting Shares (on a post-split basis following the stock split effected on November 25, 2009), being approximately 29% of the Class A Subordinate Voting Shares outstanding at February 28, 2013, have been granted under the Option Plan since 1994, leaving 3,219,970 Class A Subordinate Voting Shares reserved for issuance, being approximately 13% of the Class A Subordinate Voting Shares outstanding at February 28, 2013.
- (iii) The number of Class A Subordinate Voting Shares underlying outstanding options under the Option Plan as at February 28, 2013 is 2,530,000, being approximately 10% of the Class A Subordinate Voting Shares outstanding at February 28, 2013. 689,970 options remain available for granting.
- (iv) The maximum number of Class A Subordinate Voting Shares reserved for issuance to insiders at any time may not exceed 10% of the number of outstanding Class A Subordinate Voting Shares; the maximum number of Class A Subordinate Voting Shares issued to insiders within a one-year period may not exceed 10% of the number of outstanding Class A Subordinate Voting Shares.
- (v) The Company may provide financing to all participants in the Option Plan for all or any portion of the purchase price of the Class A Subordinate Voting Shares for which an option is being exercised upon such terms and conditions as the Board of Directors of the Company may determine including the rate of interest, if any, the term of the financing, the repayment terms and, the security, if any, to be taken which may include a pledge of the Class A Subordinate Voting Shares for which the financing of the purchase price has been given.
- (vi) The President and Chief Executive Officer of the Company recommends to the directors the participants in the Option Plan.
- (vii) The exercise price per Share is determined by the Board of Directors at the time the option is granted but cannot be less than either the closing price of the Class A Subordinate Voting Shares on the last trading date preceding the date of grant or the weighted average closing price of the Class A Subordinate Voting Shares on the Toronto Stock Exchange for the preceding twenty trading days preceding the date of grant.
- (viii) Options shall be exercisable for such period and shall vest at such times as may be determined by the Board of Directors at the time of grant or at any time thereafter.
- (ix) If an option would otherwise expire during or within 10 business days following the end of a period in which trading of the Class A Subordinate Voting Shares is restricted by policies of the Company (a "Blackout Period"), then the option shall be extended to the 10<sup>th</sup> business day following the expiration of the Blackout period.
- (x) The Board of Directors may permit a participant to elect to exercise his or her options on a "cashless" basis in accordance with the Option Plan.
- (xi) The Option Plan contains other provisions relating to its administration by the Board of Directors.
- (xii) Options are non-transferable except upon the death of an optionee.
- (xiii) If a participant ceases to be a director, officer or employee of the Company or an affiliate for any reason (other than

death or becoming an eligible retiree), the right to exercise his or her option shall be limited to and shall expire on the date of such cessation or termination, unless otherwise determined by the Board of Directors in their sole and absolute discretion either at the time of granting of an option or at any time thereafter.

- (xiv) Participation in the Option Plan is voluntary. The granting of an option shall impose no obligation upon the participant to exercise such option.
- (xv) Nothing contained in the Option Plan, nor in any option granted pursuant to the Option Plan, shall confer upon any Participant any right with respect to employment or continuance of employment by the Company or any associate of the Company, nor interfere in any way with the right of the Company or any affiliate to terminate his or her employment at any time.
- (xvi) In the event of the death of a participant, the option theretofore granted to such participant shall be exercisable only within the six months next succeeding such death and then only by the person or persons to whom the participant's rights under the option shall pass by the participant's will or the laws of the descent and distribution, and if and to the extent that such participant would then have been entitled to exercise the option.
- (xvii) In the event there is a change in the Class A Subordinate Voting Shares through the declaration of stock dividends or stock splits or consolidations or exchanges of shares, or otherwise, the number of Class A Subordinate Voting Shares available for option, the Class A Subordinate Voting Shares subject to any option, and the option price thereof shall be adjusted appropriately by the Board of Directors and such adjustment shall be effective and binding for all purposes of the Option Plan.
- (xviii) In the event that the Company shall amalgamate, consolidate with, or merge into another Company, each participant will thereafter receive, upon the exercise of such participant's options, the securities or property to which a holder of the number of Class A Subordinate Voting Shares then deliverable upon the exercise of such options would have been entitled to upon such amalgamation, consolidation, or merger and the Company will take steps in connection with such amalgamation, consolidation or merger as may be necessary to ensure that the provisions hereof shall thereafter be applicable, as near as reasonably may be, in relation to any securities or property thereafter deliverable upon the exercise of the options granted herein. A sale of all or substantially all of the assets of the Company for a consideration (apart from the assumption of obligations) a substantial portion of which consists of securities shall be deemed a consolidation, amalgamation or merger for the purposes of this paragraph.
- (xix) The obligations of the Company to sell and deliver Class A Subordinate Voting Shares under options is subject to the approval of any government or regulatory authority which may be required in connection with the authorization, issuance or sale of such Class A Subordinate Voting Shares.
- (xx) The Option Plan may be terminated at any time by the Board of Directors except with respect to any options then outstanding and accruing to a participant under the Option Plan.
- (xxi) The rights, privileges, restrictions, and conditions attaching to the Class A Subordinate Voting Shares shall be those contained in the Articles of Incorporation of the Company designating the Class A Subordinate Voting Shares and in the provisions of any applicable securities laws and in the applicable rules of any stock exchange on which the Class A Subordinate Voting Shares are listed. In the event of any discrepancy between the Option Plan and such Articles of Incorporation, provisions, or rules, such Articles of Incorporation, provisions or rules govern and take precedence.
- (xxii) Effective following board approval of changes to the Option Plan on March 9, 2012, the Company may demand that participants exercising options must remit to the Company sufficient additional funds to cover the Company's tax withholding obligations unless the participant makes other arrangements with the Company to cover the withholding obligation. Such other arrangements may in the Company's discretion include the Company lending the funds to the participant on terms that may include repayment of the loan in whole or in part by the Company withholding from the participant's future compensation, or permitting the cashless exercise to be completed net of the withholding amount.
- (xxiii) Subject to the policies, rules and regulations and discretions of any stock exchange on which the Class A Subordinate Voting Shares are listed, the Board of Directors may, without shareholder approval, amend, suspend or terminate the Option Plan, or any portion thereof, or any option granted under the Option Plan, in such respects as the Board of Directors may consider advisable, provided that no option previously granted to an optionee under the Option Plan will be impaired. Without limiting the generality of the foregoing, the Board of Directors may make the following types of amendments to the Option Plan without shareholder approval:
  - a. reduce the number of securities issuable under the Option Plan;
  - b. increase or decrease the maximum number of Class A Subordinate Voting Shares any single participant is entitled to receive under the Option Plan;
  - c. any amendment pertaining to the vesting provisions of each option;
  - d. any amendment to the terms of the Option Plan relating to the effect of termination, cessation or death of a Participant on the right to exercise options;
  - e. any amendment pertaining to the assignability of grants required for estate planning purposes;
  - f. increase the option period in respect of a blackout or death of a participant;
  - g. increase the exercise price or purchase price of any option;
  - h. amend the process by which a participant can exercise his or her option, including the required form of payment for the Shares, the form of exercise notice and the place where such payments and notices must be delivered;
  - i. add and/or amend any form of financial assistance provision to the Option Plan;
  - j. add and/or amend a cashless exercise feature, payable in cash or Class A Subordinate Voting Shares;
  - k. amend the eligibility requirements for participants in the Option Plan;
  - l. any amendment as may be necessary or desirable to bring the Option Plan into compliance with securities, corporate or tax laws and the rules and policies of any Stock Exchange upon which the Shares are from time to time listed;

- m. any amendment to add covenants of the Company for the protection of participants, provided that the Board of Directors shall be of the good faith opinion that such additions will not be prejudicial to the rights or interest of the participants;
  - n. any amendment not inconsistent with the Option Plan as may be necessary or desirable with respect to matters or questions, which in the good faith opinion of the Board of Directors, having in mind the best interests of the participants, it may be expedient to make, provided that the Board of Directors shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the participants; and
  - o. any such changes or corrections which, in the advice of counsel to the Company, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the Board of Directors shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interest of the participants.
- (xxiv) Notwithstanding any other provision of this Option Plan, none of the following amendments shall be made to this Option Plan without approval of the shareholders:
- a. amendments to the Option Plan which would increase the number of Class A Subordinate Voting Shares issuable under the Option Plan, otherwise than in accordance with the stock split and consolidation provisions of the Option Plan;
  - b. amendments to the Option Plan which would result in a reduction in the exercise price, or cancellation and reissue, of options, otherwise than in accordance with the stock split and consolidation provisions of the Option Plan;
  - c. any amendment to the Option Plan to increase the maximum limit of the number of Class A Subordinate Voting Shares that may be (i) issued to Insiders within any one year period or (ii) issuable to Insiders, at any time;
  - d. any amendment to the Option Plan that extends the option period of an option granted to an Insider beyond the original expiry date, otherwise than in respect of a blackout or death of a participant;
  - e. any amendment to the Option Plan adding participants that may permit the introduction or re-introduction of non-employee directors on a discretionary basis;
  - f. any amendment to the Option Plan allowing awards granted under Option Plans to be transferable or assignable other than for normal estate settlement purposes; and
  - g. any amendment to the amending provisions of the Option Plan.

The Company's Amended and Restated Employee Share Purchase Plan (the "ESPP") provides an opportunity to employees of the Company, and of subsidiaries of the Company, to acquire an ownership interest in the Company through the purchase of Class A Subordinate Voting Shares.

The essential features of the ESPP are as follows:

- i. An employee of the Company, or of a subsidiary of the Company, is eligible to become a member of the ESPP (a "Member"). The ESPP does not limit insider participation, and does not limit the number of Class A Subordinate Voting Shares that may be acquired under the ESPP for one individual Member. Membership in the Plan is not transferable or assignable.
- ii. Members participating in the ESPP may make contributions, by payroll deductions, at a rate of not less than 2% of the Member's salary, or such integer percentage rate up to and including 6% of the Member's salary as such Member may select. The Company will make contributions for each Member at a rate of 33<sup>1/3</sup>% of such Member's contribution.
- iii. Member's payroll deductions and corresponding Company contributions will be remitted by the Company to the administrator of the ESPP (the "Administrator") on a monthly basis. The Administrator may purchase on a monthly basis Class A Subordinate Voting Shares of the Company in such amounts and in such manner as in its discretion is in the interest of the Members. The Administrator may purchase the Class A Subordinate Voting Shares in the open market at the then current market price, or from treasury, up to a maximum of 1,500,000 Class A Subordinate Voting Shares. The purchase price for the Class A Subordinate Voting Shares from treasury shall be the closing price of the Class A Subordinate Voting Shares on the TSX on the last trading day on which the Class A Subordinate Voting Shares traded on the TSX immediately preceding the purchase date. The Administrator may exercise any stock rights which may be acquired in respect of the Class A Subordinate Voting Shares held in trust in connection with the administration of the ESPP.
- iv. A Member may suspend participation in the ESPP with notice in writing 15 days prior to the first month in which payroll deductions are to be suspended. A Member who has suspended his or her contributions may apply to the Company to have them resumed in accordance with the ESPP effective on the January 1<sup>st</sup> or July 1<sup>st</sup> next following 15 days written notice of such intent.
- v. A Member may elect, once per calendar month, to sell all or part of the Class A Subordinate Voting Shares credited to his or her account provided the Member completes and files with the Company, no later than the last day of the month immediately preceding the elected month of sale, a notice in the prescribed form.
- vi. A Member who terminates employment, retires or otherwise elects to withdraw from participation in the ESPP, or, in the event of the Member's death the Member's designated beneficiary or estate, as applicable, will have the choice to receive (a) the number of whole Class A Subordinate Voting Shares credited to his account as of the date of termination of employment, retirement, death or withdrawal from the Plan, whichever the case may be. Any fractional Class A Subordinate Voting Shares remaining in the Member's account will be paid in cash or by cheque in an amount equal to the value of the fractional Class A Subordinate Voting Shares as determined by the Administrator, or (b) the cash equivalent of the value of the Class A Subordinate Voting Shares credited to his account as of the time of sale.

- vii. The Board of Directors may at any time terminate the ESPP with such termination to be effective no earlier than the first day of the calendar month next following the adoption of the resolution by the Board of Directors to terminate the ESPP. In the event of termination of the ESPP, each Member will have the option to receive, as soon as practicable following the effective date of termination of the Plan: (a) the number of whole Class A Subordinate Voting Shares credited to his account as of the date of termination of the Plan. Any fractional Class A Subordinate Voting Shares remaining in the Member's account will be paid in cash or by cheque in an amount equal to the value of the fractional Class A Subordinate Voting Shares as determined by the Administrator, or (b) the cash equivalent of the value of the Class A Subordinate Voting Shares credited to his account as of the time of sale.
- viii. Each employee of a subsidiary of the Company shall, upon such company ceasing to be a subsidiary of the Company, cease to be a Member of the ESPP and will have the option to receive, as soon as practicable following the date he ceases to be a Member of the Plan (a) the number of whole Class A Subordinate Voting Shares credited to his account as of the date he ceases to be a Member of the Plan. Any fractional Class A Subordinate Voting Shares remaining in the Member's account will be paid in cash or by cheque in an amount equal to the value of the fractional Class A Subordinate Voting Shares as determined by the Administrator, or (b) the cash equivalent of the value of the Class A Subordinate Voting Shares credited to his account as of the time of sale.
- ix. The Board of Directors may, subject to the policies, rules, regulations and discretions of the TSX and to the requirements of any other applicable regulatory authority, at any time and from time to time, without notice or shareholder approval, amend or modify the ESPP, or any portion thereof in such respects as the Board of Directors may consider advisable, provided that no amendment or modification shall adversely affect the rights and interest of a Member's Class A Subordinate Voting Shares allocated to his account under the ESPP prior to the date of such amendment or modification. Without limiting the generality of the foregoing, the Board of Directors may make the following types of amendments to the ESPP without shareholder approval:
  - a. Minor changes of a "house-keeping nature";
  - b. Reduce the number of securities issuable from treasury under the ESPP;
  - c. Increase or decrease the minimum or maximum amount of contributions a Member is entitled to make;
  - d. Increase or decrease the minimum or maximum amount of contributions the Company is entitled to make for each Member;
  - e. Any amendment to the terms of the ESPP relating to the termination or cessation of employment or death of a Member;
  - f. Any amendment pertaining to the assignability of rights under the Plan;
  - g. Amend the eligibility requirements to become a Member of the ESPP;
  - h. Amend the process by which a Member may participate in the ESPP and submit contributions;
  - i. Any amendment as may be necessary or desirable to bring the ESPP into compliance with securities, corporate or tax laws and the rules and policies of the TSX;
  - j. Any amendment to add covenants of the Company for the protection of Members, provided that the Board of Directors shall be of the good faith opinion that such additions will not be prejudicial to the rights or interest of the Members;
  - k. Any amendment not inconsistent with the ESPP as may be necessary or desirable with respect to matters or questions, which in the good faith opinion of the Board of Directors, having in mind the best interests of the Members, it may be expedient to make, provided that the Board of Directors shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the Members; and
  - l. Any such changes or corrections which, in the advice of counsel to the Company, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the Board of Directors shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interest of the Members.
- x. Notwithstanding any other provision of the ESPP, none of the following amendments shall be made to the ESPP without approval of the shareholders:
  - a. Any amendments to the ESPP which would increase the number of Class A Subordinate Voting Shares issuable from treasury under the ESPP;
  - b. Any amendments to the ESPP which would result in a reduction in the purchase price of Class A Subordinate Voting Shares from treasury;
  - c. Any amendment to the amending provisions of the ESPP; and
  - d. Any other matter that may require shareholder approval under the policies, rules, regulations and discretions of the TSX.



The following table sets out information relating to the equity compensation plan approved by securityholders:

### EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options	Weighted-average Exercise Price of Outstanding Options (\$)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by securityholders	2,530,000	4.31	2,189,970 <sup>(1)</sup>

Note:

<sup>(1)</sup> 689,970 Class A Subordinate Voting Shares under the Option Plan and 1,500,000 Class A Subordinate Voting Shares under the ESPP. The Administrator of the ESPP may purchase Class A Subordinate Voting Shares in the open market at the then current market price, or from treasury up to a maximum of 1,500,000 Class A Subordinate Voting Shares.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

#### Aggregate Indebtedness

There is no indebtedness other than routine indebtedness owing to the Company, or its subsidiaries, by current and former directors, executive officers and employees of the Company.

### APPOINTMENT OF AUDITORS

The Board of Directors and management propose to nominate the firm of Ernst & Young LLP as auditors of the Company to hold office until the next annual general meeting of shareholders of the Company or until their successor is appointed and that the directors be authorized to fix the remuneration of the auditors.

The aggregate amount of fees billed by Ernst & Young LLP during the year ended December 31, 2012 for the annual audit as well as for the review of the financial statements was \$197,000. The aggregate amount of fees billed by Ernst & Young LLP for all non-audit services rendered during the year ended December 31, 2012 was \$49,160.

### AUDIT AND GOVERNANCE COMMITTEE INFORMATION

Reference is made to the Annual Information Form of the Company for the year ended December 31, 2012 for a disclosure of information relating to the Audit and Governance Committee required under Form 52-110F1. A copy of this document can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or by contacting the Corporate Secretary at the executive office, 745 Windmill Road, Dartmouth, Nova Scotia, B3B 1C2, telephone (902) 468-7557.

### OTHER MATTERS COMING BEFORE THE MEETING

It is not the intention of the management of the Company to bring any matters before the meeting other than the matters referred to herein. IT SHOULD BE NOTED, HOWEVER, THAT THE ENCLOSED FORM OF PROXY IS A DISCRETIONARY PROXY AND THE PERSONS NAMED THEREIN ARE AUTHORIZED TO VOTE IN ACCORDANCE WITH THEIR DISCRETION ON ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Securityholders may also request copies of the Company's financial statements and Management's Discussion and Analysis by contacting the Corporate Secretary at the executive office, 745 Windmill Road, Dartmouth, Nova Scotia, B3B 1C2, telephone (902) 468-7557. The above documents, as well as the Company's news releases and its Code of Business Conduct and Ethics, are also available on the Company's website ([www.ncc.ca](http://www.ncc.ca)).

Financial information relating to the Company is provided in the Company's comparative financial statements and Management's Discussion and Analysis for its most recently completed financial year.

UNLESS OTHERWISE INDICATED THE INFORMATION HEREIN IS GIVEN AS OF **FEBRUARY 28, 2013**. THE CONTENTS OF AND THE SENDING OF THIS CIRCULAR HAVE BEEN APPROVED BY THE DIRECTORS.

**DATED February 28, 2013**

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read "Scott Weatherby", written in a cursive style.

**SCOTT G.M. WEATHERBY  
CHIEF FINANCIAL OFFICER AND CORPORATE SECRETARY**

**APPENDIX A  
STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Company believes that effective corporate governance practices are fundamental to the overall success of a company. Under National Policy 58-201, National Instrument 58-101 and Multilateral Instrument 52-110 of the Canadian Securities Administrators, the Company is required to disclose information relating to its corporate governance practices. In addition, the Company complies with Multilateral Instrument 52-110 on Audit Committees.

<b>CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT</b>	<b>COMMENTS</b>
1. (a) Disclose the identity of directors who are independent.	<p><i>The Board analyses all the relationships of the directors with the Company and its subsidiaries. Michael C. MacDonald, Allen F. MacPhee, David I. Matheson and Donald J. Warr are independent.</i></p> <p><i>Mr. Warr is a financial advisor to the Steele Family. None of these independent directors work in the day-to-day operations of the Company, are party to any material contracts with the Company or receive any material fees other than as directors.</i></p> <p><i>The Board, with the affirmative vote of the three other independent directors, determined that Mr. Warr's relationship with the Steele family does not materially interfere with his ability to act with a view of the best interests of the Company and accordingly Mr. Warr is an independent director. Mr. Warr's performance and dedication to the Company over many years exemplifies his integrity in fulfilling his fiduciary duties in serving the Company and the best interests of its shareholders as a whole. These conclusions were reached by Board members, individually and as a group, after careful consideration of respective interests and relationships and review of the relevant definitions in the applicable securities rules.</i></p> <p><i>As officers of the Company, each of Mr. Harry R. Steele and Mr. Robert G. Steele are considered not independent.</i></p>
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	<p><i>An "independent director" is defined under applicable securities rules as a director who has no direct or indirect relationship with the Company which could, in the view of the Board, be reasonably expected to interfere with a member's independent judgment. The Board determines whether or not each director is independent or non-independent. In any instance, as a matter of governance policy of the Board, such determination of the Board requires the agreement of all those who have been determined as being independent.</i></p>
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the Board of Directors ("Board") does to facilitate its exercise of independent judgment in carrying out its responsibilities.	<p><i>The Board is composed of six members, a majority of whom are independent, and is constituted with an appropriate number of directors which fairly reflects the investment in the Company by shareholders other than the significant shareholder. The Board is of the opinion that because a majority of directors are independent that it acts independently of management.</i></p>
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	<p><i>All directorships with other public entities are set out in the table on page 9.</i></p>
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	<p><i>The independent directors meet without non-independent directors or members of management at the end of every scheduled Board meeting. In 2012, there were six meetings of the independent directors. The Audit and Governance Committee is composed of independent directors.</i></p>

**CORPORATE GOVERNANCE DISCLOSURE  
REQUIREMENT**

**COMMENTS**

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| <p>1. (f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.</p> <p>(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.</p> | <p><i>The Audit and Governance Committee has the responsibility and mandate to develop and monitor the Company's system of corporate governance including the Board's independence from management. Mr. Harry R. Steele, Chairman of the Board, is also a member of management. The knowledge and experience of Mr. Steele are very important to the Company and the Board, and it is believed that the interests of the Board and the Company are better served by having Mr. Steele as Chairman of the Board. While there is no independent lead director and the chair of the Board is not independent, the Board itself is composed of a majority of independent directors that meet regularly without non-independent directors.</i></p> <p><i>The directors were present at all five Board meetings held in 2012.</i></p>  |
| <p>2. Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.</p>  | <p><i>The Board's formalized mandate is attached as Appendix B. The mandate of the Board is also available on the Company's website (<a href="http://www.ncc.ca">www.ncc.ca</a>). A copy may also be obtained by contacting the Corporate Secretary of the Company at its executive office, 745 Windmill Road, Dartmouth, Nova Scotia B3B 1C2, telephone (902) 468-7557.</i></p>   |
| <p>3. (a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.</p>  | <p><i>The Board has developed position descriptions for the Chair of the Board and the Chair of the only Board committee – the Audit and Governance Committee. Both position descriptions are available on the Company's website (<a href="http://www.ncc.ca">www.ncc.ca</a>).</i></p> <p><i>The Chair of the Board's responsibilities include facilitating the delivery of accurate, timely and clear information to the Board to enable the Board to successfully carry out its responsibilities, overseeing the preparation for and management of meetings of shareholders of the Company and representing the Board to shareholders.</i></p> <p><i>The Chair of the Audit and Governance Committee is responsible for overseeing the preparation for and management of the Committee's meetings, presiding over the Committee's meetings, for the orderly and efficient use of time in the Committee's meetings and for reporting to the Board on a regular basis.</i></p>   |
| <p>(b) Disclose whether or not the Board and President and Chief Executive Officer ("CEO") have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.</p>  | <p><i>The CEO has a position description. The CEO develops objectives and is compensated based on performance against these objectives. The CEO position description is available on the Company's website (<a href="http://www.ncc.ca">www.ncc.ca</a>).</i></p> <p><i>The CEO's objectives and compensation are assessed and approved by the Audit and Governance Committee and the Board.</i></p> <p><i>The CEO's position description includes the following responsibilities: strategy, leadership, operations, finance, reporting to the Board and relations with employees, shareholders and the public. The CEO is responsible for the day-to-day management of the business, within the limits of the authority delegated by the Board. The CEO reports, and makes recommendations, to the Board in an accurate, timely and clear manner on all aspects of the business and affairs of the Company that are relevant to the ability of the Directors to successfully carry out their responsibilities.</i></p> |
| <p>4. (a) Briefly describe what measures the Board takes to orient new directors regarding:</p> <p>(i) the role of the Board, its committees and its directors; and</p> <p>(ii) the nature and operation of the issuer's business.</p>  | <p><i>New directors have orientation sessions with the Board members and the Board Committee members to understand the mandates of the Board and the Audit and Governance Committee.</i></p> <p><i>New directors have orientation sessions with senior management and are encouraged to visit key assets and learn about the industry.</i></p>   |

**CORPORATE GOVERNANCE DISCLOSURE  
REQUIREMENT**

**COMMENTS**

<p>4. (b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p><i>The Board receives continual education from their involvement with other companies and interaction with other Board members and are briefed by management as to changes in regulatory and industry requirements. Board members are encouraged to participate in any activities that may enhance their value to the Company and its shareholders.</i></p>
<p>5. (a) Disclose whether or not the Board has adopted a written code for the ethical conduct of its directors, officers and employees. If the Board has adopted a written code:</p> <p>(i) disclose how an interested party may obtain a copy of the written code;</p>	<p><i>The Company's Board of Directors has adopted a Code of Business Conduct and Ethics, a copy of which has been filed on SEDAR and is available on the Company's website (<a href="http://www.ncc.ca">www.ncc.ca</a>). A copy may also be obtained by contacting the Corporate Secretary of the Company at its executive office, 745 Windmill Road, Dartmouth, NS B3B 1C2.</i></p>
<p>(ii) describe how the Board monitors compliance with its code; and</p>	<p><i>The Audit and Governance Committee regularly monitors compliance with the Code of Business Conduct and Ethics and also requires that management encourage and promote a culture of ethical business conduct.</i></p>
<p>(iii) provide a cross-reference to any material change report(s) filed within the preceding 12 months that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p><i>The Company has developed, and the Audit and Governance Committee has approved, various corporate policies including the Policy on Corporate Disclosure, Confidentiality, and Insider Trading, the Whistleblowing Policy, the Harassment and Non-Discrimination Policy and Privacy Policy.</i></p>
<p>(b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p>	<p><i>The Board has not granted any waiver of the Code of Business Conduct and Ethics in favour of a director or executive officer. Accordingly, no material change report has been required or filed.</i></p>
<p>(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p><i>The Audit and Governance Committee monitors the disclosure of conflicts of interest by directors and uses its best efforts to see that no director will vote nor participate in a discussion on a matter in respect of which such director has a material interest.</i></p>
<p>(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p><i>The Board directs management to reasonably ensure the Code of Business Conduct and Ethics and its applications are communicated to all managers. Managers are directed to provide and explain to each employee the policies contained within the Code of Business Conduct and Ethics. The employees are asked to acknowledge, by way of signature that they have read, understood and agree to comply with the Code of Business Conduct and Ethics. This is done annually.</i></p>
<p>6. (a) Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p><i>The Audit and Governance Committee is responsible for evaluating the performance and contribution of individual members of the Board and the Board committee. This Committee is also responsible for proposing new nominees to the Board and recommending the remuneration of directors. The mandate of the Audit and Governance Committee is described in Appendix B of the Annual Information Form, a copy of which can be found at <a href="http://www.sedar.com">www.sedar.com</a>.</i></p>
<p>(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors.</p>	<p><i>All of the members of the Audit and Governance Committee are independent.</i></p>
<p>(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p><i>If vacancies occur on the Board, the Audit and Governance Committee would recommend nominees to the Board, review the qualifications of prospective members and determine their relevance taking into consideration current Board composition and the anticipated skills required to complement the capabilities of the Board.</i></p>

**CORPORATE GOVERNANCE DISCLOSURE  
REQUIREMENT**

**COMMENTS**

7. (a) Describe the process by which the Board determines the compensation for the issuer's directors and officers. *The Audit and Governance Committee is mandated to review and recommend the compensation of directors. The Committee considers Company and individual performance, comparative market data, responsibilities and achievement of goals in determining remuneration.*
- (b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation. *The Audit and Governance Committee, the only Committee of the Board, is composed solely of independent directors.*
- (c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee. *The duties and responsibilities of the Audit and Governance Committee include the development of a compensation philosophy and policy, reviewing succession planning, evaluating the CEO, reviewing CEO and senior executives compensation, and monitoring share incentive arrangements.*
- (d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work. *The Board and its Committee have not engaged the services of a compensation consultant or advisor for the most recently completed financial year.*
8. If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function. *The Board has only one committee – the Audit and Governance Committee. This Committee is comprised solely of independent directors. The size of the Board allows one committee to deal with audit, governance, disclosure, nomination, compensation and other relevant matters that may come before the Board.*
9. Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively. *The Audit and Governance Committee has the mandate and responsibility for having a process in place for the annual review of the performance of individual directors, the Board as a whole and the Board committee. The Audit and Governance Committee, led by the Chair of the Committee, evaluates each director and provides feedback regarding the Board's fulfillment of its responsibility.*  
*The position descriptions of the Chair of the Board and the Chair of the Audit and Governance Committee are used to assess the performance of these individuals, comparing individual performances to the roles and responsibilities set-out. The same applies to assessing the Board and its Committee whereby performance is compared to responsibilities set-out in the Mandate of the Board and Charter of the Audit and Governance Committee.*

## APPENDIX B

### NEWFOUNDLAND CAPITAL CORPORATION LIMITED

#### MANDATE OF THE BOARD OF DIRECTORS

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##### 1. STATEMENT OF POLICY

The mandate of the board of directors ("**Board**") of Newfoundland Capital Corporation Limited ("**Company**") is to oversee, monitor and evaluate the management of the business and affairs of the Company. The Board shall review, discuss and approve various matters related to the strategic direction, business, operations and organizational structure of the Company with a view to the best interests of the Company and shareholders generally. The Board shall approve certain transactions whose value exceeds management's authority limits. The types of transactions requiring prior Board approval include: acquisitions or divestitures of subsidiaries, divisions or assets, assumption of significant liabilities other than in the ordinary course of business, and transactions which would materially change the Company's consolidated revenue or net assets. The Board shall approve banking relationships and key borrowing and financing decisions, appoint the officers of the Company, determine the Directors' compensation and declare dividends.

Responsibilities of the Board are performed by the Board as a whole and the Board establishes committees ("**Committees**") of the Board to assist the Board in discharging its responsibilities.

##### 2. COMPOSITION AND ORGANIZATION OF THE BOARD

###### *Selection of Members*

The Audit and Governance Committee ("**Committee**"), which has audit, nominating, compensation and corporate governance responsibilities, reviews and recommends to the Board the candidates for nomination as Directors. The Board approves the final choice of candidates for nomination and election by the shareholders.

###### *Number of Directors*

The number of Directors shall be not less than three or greater than fifteen.

###### *Membership Criteria*

The composition of the Board, including the qualifications of its members, shall comply with the applicable requirements of the *Canada Business Corporations Act*, the stock exchanges on which the Company lists its securities and the rules and policies of securities regulatory authorities, as adopted, in force or amended from time to time.

Directors must have an appropriate mix of skills, knowledge and experience in business and a history of achievements. Directors selected should be able to commit the requisite time for all the Board's business and shall demonstrate integrity, accountability and informed judgment.

###### *Independent Directors*

A majority of the Board shall be composed of independent Directors who are not part of the management of the Company and who are independent in accordance with the criteria set out in securities legislation and guidelines.

Securities legislation and guidelines on independence:

- (a) sets out the test that the Board should use to determine whether a Director is independent;
- (b) identifies the criteria that the Board should use to assess whether a Director is independent; and
- (c) describes the disclosure that the Board should provide to shareholders of the Company with respect to its determination of the independence of Directors.

A majority of the nominees proposed to the shareholders of the Company by its management from time to time for election as Directors at annual general meetings of shareholders will be independent Directors; and the Board shall use its efforts to maintain such a majority of independent Directors.

### ***Chairperson***

The Board shall appoint its chairperson of the Board (the "**Chairperson**") from among the Company's Directors.

### ***Term of Directors***

The Directors are elected by the shareholders at every annual meeting. A Director ceases to hold office upon death, resignation, removal or disqualification under the *Canada Business Corporations Act*.

### ***Resignation of Directors***

The resignation of a Director becomes effective at the time a written resignation is sent to the Company, or at the time specified in the resignation, whichever is later.

## **3. RESPONSIBILITIES**

The Board is responsible for overseeing the management of the business and affairs of the Company.

In discharging their responsibilities, the Directors owe the following fiduciary duty and duty of care to the Company:

*fiduciary duty:* they must act honestly and in good faith with a view to the best interests of the Company and be loyal to the Company; and

*duty of care:* they must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In discharging their responsibilities, the Directors are entitled to rely on the honesty and integrity of the senior management of the Company and the auditors and other professional advisors of the Company, and should establish and follow processes that enable them to effectively fulfill their overseeing responsibilities.

In discharging their responsibilities, the Directors are also entitled to directors and officers' liability insurance purchased by the Company and indemnification from the Company to the fullest extent permitted by law and the constating documents of the Company.

In addition to its statutory responsibilities, the Board has the responsibilities to oversee the following specific matters:

### ***Company's Strategy***

- approving a strategic planning process which takes into account, among other things, the opportunities and risks of the business; and
- approving the annual business plan and corporate objectives of the Company and of the chief executive officer ("CEO"), participating in the preparation of the five-year strategic plan and reviewing performance against these plans at various times throughout the year but at least on an annual basis.

### ***Culture of Integrity***

- satisfying itself, to the extent feasible, as to the integrity of the CEO and other senior management and that the CEO and other senior management create a culture of integrity throughout the Company.

### ***Succession Planning for Senior Management***

- choosing the CEO, appointing senior management and approving annually CEO compensation and senior management's compensation policies;
- ensuring that an appropriate portion of CEO and senior management's compensation is tied to both the short and longer-term performance of the Company; and
- taking all reasonable steps to ensure that processes are in place for the recruitment, training, development, retention and succession of executives.



### ***Financial Matters, Internal Controls and Risk Assessment***

- approving an annual operating and capital budget for the Company and its subsidiaries on a consolidated basis;
- approving financings, acquisitions, divestitures, investments and other transactions not in the ordinary course of business and/or in excess of the limits prescribed in the Company's annual budget;
- approving the annual audited consolidated financial statements of the Company and, as required in accordance with applicable laws, approving quarterly unaudited consolidated financial statements of the Company;
- advocating the preserving of the integrity of information and the maintaining a culture of integrity in accordance with policies approved by the Board;
- overseeing the establishment by management of an adequate system of internal controls and management information systems;
- overseeing the identification by management of the principal risks of the Company and setting policies for a risk assessment process to identify, assess and manage the risks of the Company's business; and
- in the event of a take-over bid, reviewing alternate strategies in response to such take-over bid in order to maximize value for shareholders.

### ***Securities and Dividends***

- approving prospectuses, proxy circulars and proxy statements sent to shareholders of the Company and reviewing of Annual Reports, Management's Discussion and Analysis of Financial Condition and Results of Operations Reports, Annual Information Forms, Press Releases and other material disclosure documents as determined by the Board from time to time;
- declaring dividends on shares of the Company or approving the purchase, redemption or other acquisition of shares issued by the Company as required in accordance with applicable laws; and
- authorizing the issuance of securities of the Company as required in accordance with applicable laws.

### ***Submission of Matters or Questions Requiring the Approval of Shareholders***

- submitting to the shareholders for approval matters or questions requiring their approval; and
- approving the submission to the shareholders of any amendment to the articles of the Company or the approval of any adoption, amendment or repeal of any by-laws of the Company.

### ***Compliance with Laws and Ethical Standards***

- overseeing the maintenance by management of practices and processes to assure compliance with applicable laws and appropriate ethical standards, including the adoption by management of corporate policies and procedures and the Code of Business Conduct and Ethics.

### ***Disclosure and Communication***

- adopting communications policies and monitoring the Company's investor relations programs and the Company's communication policies, including how the Company interacts with analysts, investors, other key stakeholders, customers, governments and the general public;
- adopting measures for the Company to comply with its continuous and timely disclosure obligations and to avoid selective disclosure; and
- reviewing disclosure and communications policies.

To assist the Directors in discharging their responsibilities, the Board expects management of the Company to:

- (i) review and update annually (or more frequently if appropriate) the strategic plan and report regularly to the Board on the implementation of the strategic plan in light of evolving conditions;
- (ii) prepare and present to the Board annually (or more frequently if appropriate) a business plan and budget and report regularly to the Board on the Company's performance against the business plan and budget; and
- (iii) report regularly to the Board on the Company's business and affairs and on any matters of material consequence for the Company and its shareholders.

Additional expectations are developed and communicated during the annual strategic planning and budgeting process and also during regular Board and Board committee meetings.

The Board considers that generally management should speak for the Company in its communications with shareholders and the public. The Company's investor relations personnel are required to respond to inquiries from shareholders and the public after review and discussion, as appropriate, by senior management and the Board. The Company's investor relations personnel are available to shareholders by telephone, fax and e-mail. The Company maintains an investor relations section on its website. Presentations at investor conferences are available on request. The Board reviews the Company's major communications with shareholders and the public.

Directors are expected to attend Board meetings, meetings of Board committees of which they are members and the annual meeting of the shareholders of the Company. Directors are also expected to spend the time needed, and to meet as frequently as necessary, to discharge their responsibilities.

Directors must comply with the Code of Business Conduct and Ethics of the Company.

#### **4. AUTHORITY**

- (1) The Board is authorized to carry out its responsibilities as set out in this Charter.
- (2) The Board is authorized to retain, and to set and pay the compensation of, independent legal counsel and other advisors if it considers this appropriate.
- (3) The Board is authorized to invite officers and employees of the Company and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings if it considers this appropriate.
- (4) The Directors have unrestricted access to the officers and employees of the Company. The Directors will use their judgment to ensure that any such contact is not disruptive to the operations of the Company and will, to the extent not inappropriate, advise the Chair and the CEO of the Company of any direct communications between them and the officers and employees of the Company.
- (5) The Board and the Directors have unrestricted access to the advice and services of the Corporate Secretary.
- (6) The Board may delegate certain of its functions to Board committees, each of which will have its own charter.

#### **5. MEETINGS AND PROCEEDINGS**

- (1) The Board shall meet as frequently as is determined to be necessary but not less than four times each year.
- (2) The Chairperson shall normally call meetings of the Board. The President and Chief Executive Officer or any two Directors may also call a meeting of the Board.
- (3) The Chair is responsible for the agenda of each meeting of the Board, including input from other Directors and management of the Company as appropriate. Meetings will include presentations by management or professional advisors and consultants when appropriate and allow sufficient time to permit a full and open discussion of agenda items. Information and materials that are important to the Board's understanding of the agenda items and related topics should be distributed reasonably in advance.

- (4) Unless waived by all Directors, a notice of each meeting of the Board confirming the date, time, place and agenda of the meeting, together with any supporting materials, shall be forwarded to each Director at least three days before the date of the meeting. Meetings may be held in person or by means of telephone, electronic or other communication facilities.
- (5) The quorum for each meeting of the Board is a majority of the Directors. Any matter to be voted upon shall be decided by a majority of the votes cast for a resolution. In the absence of the Chair, the other Members may appoint one of their number as chair of a meeting. The chair of a meeting shall not have a second or casting vote.
- (6) Any Director who has a conflict of interest in accordance with the Company's Code of Business Conduct and Ethics, which is applicable to any such Director, shall:
  - (a) disclose such conflict in a timely manner to the Board;
  - (b) not be counted for purposes of determining a quorum for the meeting;
  - (c) leave any meeting when the subject matter of the conflict is to be considered; and
  - (d) not vote on such subject matter.
- (7) The Corporate Secretary shall keep minutes of all meetings of the Board, including all resolutions passed by the Board. Minutes of meetings shall be distributed to the Directors after preliminary approval thereof by the Chair.
- (8) An individual who is not a Director may be invited to attend a meeting of the Board for all or part of the meeting.
- (9) The outside and independent Directors shall regularly meet without inside and non-independent Directors and management present, as and when they wish to do so, to ensure free and open discussion and communication among the outside and independent Directors.

## **6. ASSESSMENT OF THE COMMITTEE AND CHARTER REVIEW**

- (1) The Board shall regularly assess its effectiveness with a view to having the Board perform in accordance with best practices that are reasonably applicable to the Company.
- (2) The Board shall annually review and update this mandate as required.

