

NORTH AMERICAN PALLADIUM LTD
Form F-10
November 02, 2007

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As filed with the Securities and Exchange Commission on November 2, 2007.

Registration No. 333-

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM F-10

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NORTH AMERICAN PALLADIUM LTD.

(Exact name of Registrant as specified in its charter)

Canada <i>(Province or other Jurisdiction of Incorporation or Organization)</i>	1099 <i>(Primary Standard Industrial Classification Code Number)</i>	Not Applicable <i>(I.R.S. Employer Identification Number, if any)</i>
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130 Adelaide Street West, Suite 2116, Toronto, Ontario, Canada M5H 3P5, (416) 360-7590
(Registrant's principal executive offices)

CT Corporation System, 111 Eighth Avenue, New York, New York 10011, (212) 894-8940
(Agent for service in the United States)

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

Province of Ontario, Canada
(Principal jurisdiction regulating this offering)

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It is proposed that this filing shall become effective (check appropriate box below):

- A. upon filing with the Commission, pursuant to Rule 467(a) (if in connection with an offering being made contemporaneously in the United States and Canada).
- B. at some future date (check appropriate box below)
1. pursuant to Rule 467(b) on () at () (designate a time not sooner than seven calendar days after filing).
 2. pursuant to Rule 467(b) on () at () (designate a time seven calendar days or sooner after filing) because the securities regulatory authority in the review jurisdiction has issued a receipt or notification of clearance on ().
 3. pursuant to Rule 467(b) as soon as practicable after notification of the Commission by the Registrant or the Canadian securities regulatory authority of the review jurisdiction that a receipt or notification of clearance has been issued with respect hereto.
 4. after the filing of the next amendment to this Form (if preliminary material is being filed).

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)(2)	Proposed Maximum Aggregate Offering Price(3)(4)	Amount of Registration Fee
Common Shares			
Debt Securities			
Special Shares			
Warrants to Purchase Equity Securities			
Warrants to Purchase Debt Securities			
Share Purchase Contracts			
Share Purchase or Equity Units			
Subscription Receipts			
Total	U.S.\$300,000,000	U.S.\$300,000,000	U.S.\$9,210

- (1) There are being registered under this Registration Statement such indeterminate number of common shares, debt securities, special shares, warrants to purchase equity securities, warrants to purchase debt securities, share purchase contracts, share purchase or equity units and subscription receipts of the Registrant as shall have an aggregate initial offering price of U.S.\$300,000,000. Any securities registered by this Registration Statement may be sold separately or as units with other securities registered under this registration statement. The proposed maximum initial offering price per security will be determined, from time to time, by the Registrant in connection with the sale of the securities under this registration statement.
- (2) Includes securities that are to be offered outside the United States but may be resold from time to time in the United States in transactions subject to registration under the Securities Act of 1933, as amended. The securities are not being registered for purposes of sales outside the United States.
- (3) In United States dollars or the equivalent thereof in Canadian dollars.
- (4) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457 of the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registration Statement shall become effective as provided in Rule 467 under the Securities Act of 1933, as amended, or on such date as the Commission, acting pursuant to Section 8(a) of the Act, may determine.

PART I

INFORMATION REQUIRED TO BE DELIVERED TO OFFEREES OR PURCHASERS

I-1

Information contained in this Prospectus is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

SUBJECT TO COMPLETION, DATED OCTOBER 31, 2007

Base Shelf Prospectus

NORTH AMERICAN PALLADIUM LTD.

**U.S.\$300,000,000
Common Shares
Special Shares
Debt Securities
Warrants
Share Purchase Contracts
Share Purchase or Equity Units
Subscription Receipts**

North American Palladium Ltd. ("North American Palladium" or the "Company") may offer and issue from time to time common shares (the "Common Shares") and special shares (the "Special Shares" and together with the Common Shares, the "Equity Securities"), debt securities (the "Debt Securities"), warrants to purchase Equity Securities and warrants to purchase Debt Securities (together, the "Warrants"), share purchase contracts, share purchase or equity units and subscription receipts (all of the foregoing, collectively, the "Securities") or any combination thereof up to an aggregate initial offering price of U.S.\$300,000,000 during the 25-month period that this base shelf prospectus (this "Prospectus"), including any amendments thereto, remains effective. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement (a "Prospectus Supplement").

Investing in the Securities involves significant risks. You should carefully read the "Risk Factors" section beginning on page 46 of this Prospectus.

This offering is made by a Canadian issuer that is permitted, under a multi-jurisdictional disclosure system adopted by the United States and Canada, to prepare this Prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the Securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should read the tax discussion contained in the applicable Prospectus Supplement with respect to a particular offering of Securities.

The enforcement by investors of civil liabilities under the U.S. federal securities laws may be affected adversely by the fact that the Company is incorporated under the laws of Canada, that most of its officers and directors are residents of Canada, that some or all of

the experts named in the registration statement to which this Prospectus relates are residents of a foreign country, and that a substantial portion of the assets of the Company and said persons are located outside the United States.

Neither the U.S. Securities and Exchange Commission nor any state or Canadian securities regulator has approved or disapproved the Securities offered hereby, passed upon the accuracy or adequacy of this Prospectus or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

The specific terms of the Securities with respect to a particular offering will be set out in the applicable Prospectus Supplement and may include, where applicable: (i) in the case of Debt Securities, the specific designation, aggregate principal amount, the currency or the currency unit for which the Debt Securities may be purchased, the maturity, interest provisions, authorized denominations, offering price, covenants, events of default, any terms for redemption or retraction, any exchange or conversion terms, whether the debt is senior or subordinated and any other terms specific to the Debt Securities being offered; (ii) in the case of Equity Securities, the designation of the particular class and, if applicable, series, the number of shares offered, the offering price, dividend rate, if any, and any other terms specific to the Equity Securities being offered; (iii) in the case of Warrants, the offering price, the designation, number and terms of the Equity Securities or Debt Securities issuable upon exercise of the Warrants, any procedures that will result in the adjustment of these numbers, the exercise price, dates and periods of exercise, the currency in which the Warrants are issued and any other specific terms; (iv) in the case of share purchase contracts, the designation, number and terms of the Equity Securities to be purchased under the share purchase contract, any procedures that will result in the adjustment of these numbers, the offering price and purchase date or dates of the Equity Securities, any requirements of the purchaser to secure its obligations under the share purchase contract and any other specific terms; (v) in the case of share purchase or equity units, the terms of the share purchase contract and equity units (and, if applicable, of the Debt Securities or third party obligations), any requirements of the purchaser to secure its obligations under the share purchase contract, equity units, Debt Securities or third party obligations and any other specific terms; and (vi) in the case of subscription receipts, the number of subscription receipts being offered, the offering price, the procedures for the exchange of the subscription receipts for Equity Securities, Debt Securities, Warrants, share purchase contracts, or share purchase or equity units, as the case may be, and any other specific terms. Where required by statute, regulation or policy, and where Securities are offered in currencies other than Canadian dollars, appropriate disclosure of foreign exchange rates applicable to the Securities will be included in the Prospectus Supplement describing the Securities.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

This Prospectus constitutes a public offering of the Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Securities. The Company may offer and sell Securities to, or through, underwriters or dealers and also may offer and sell certain Securities directly to other purchasers or through agents pursuant to exemptions from registration or qualification under applicable securities laws. A Prospectus Supplement relating to each issue of Securities offered thereby will set forth the names of any underwriters, dealers, or agents involved in the offering and sale of the Securities and will set forth the terms of the offering of the Securities, the method of distribution of the Securities including, to the extent applicable, the proceeds to the Company and any fees, discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of the plan of distribution. The common shares of North American Palladium are listed on the Toronto Stock Exchange ("TSX") under the symbol "PDL" and on the American Stock Exchange ("AMEX") under the symbol "PAL".

On October 30, 2007, the last trading day prior to the filing of this Prospectus, the closing price of the Common Shares on the TSX was Cdn. \$7.48 per Common Share, and the closing price of the Common Shares on AMEX was U.S.\$7.84 per Common Share. Unless otherwise specified in the applicable Prospectus Supplement, Securities other than the Common Shares will not be listed on any securities exchange.

Other than the listing of the Common Shares on the TSX and AMEX, there is no market through which the Securities may be sold and purchasers may not be able to resell Securities purchased under this Prospectus and the applicable Prospectus Supplement. This may affect the price of the Securities in the secondary market, the transparency and availability of trading prices, the extent of regulation of the Company and the liquidity of the Securities. See "Risk Factors". The offering of Securities hereunder is subject to approval of certain legal matters on behalf of the Company by Stikeman Elliott LLP, with respect to Canadian legal matters, and by Paul, Weiss, Rifkind, Wharton & Garrison LLP, with respect to U.S. legal matters.

The date of this Prospectus is _____, 2007

TABLE OF CONTENTS

	Page
ABOUT THIS PROSPECTUS	4
INDUSTRY AND MARKET DATA	4
CAUTIONARY NOTE TO UNITED STATES INVESTORS	5
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	5
EXCHANGE RATE INFORMATION	8
INDUSTRY OVERVIEW	9
THE COMPANY	11
MINERAL PROPERTIES	26
RISK FACTORS	46
USE OF PROCEEDS	58
DIVIDEND POLICY	58
CONSOLIDATED CAPITALIZATION	58
MANAGEMENT	59
DESCRIPTION OF EQUITY SECURITIES	63
DESCRIPTION OF DEBT SECURITIES	65
DESCRIPTION OF WARRANTS	77
DESCRIPTION OF SHARE PURCHASE CONTRACTS AND SHARE PURCHASE OR EQUITY UNITS	78
DESCRIPTION OF SUBSCRIPTION RECEIPTS	79
PLAN OF DISTRIBUTION	79
INCOME TAX CONSIDERATIONS	80
LEGAL MATTERS	80
AUDITORS, TRANSFER AGENTS AND REGISTRARS	80
EXPERTS	80
DOCUMENTS INCORPORATED BY REFERENCE	81
WHERE YOU CAN FIND MORE INFORMATION	83
DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT	83
ENFORCEABILITY OF CIVIL LIABILITIES	84
GLOSSARY OF MINING TERMS	85
AUDITOR'S CONSENT	A-1

You should rely only on the information contained in or incorporated by reference into this Prospectus and any Prospectus Supplement. The Company has not authorized anyone to provide you with different information. The Company is not making an offer of the Securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Prospectus and any Prospectus Supplement is accurate as of any date other than the date on the front of those documents.

ABOUT THIS PROSPECTUS

Unless stated otherwise or the context otherwise requires, references in this Prospectus and any Prospectus Supplement to "North American Palladium", the "Company", "we", "us", or "our" includes North American Palladium Ltd. and each of its subsidiaries.

Unless stated otherwise or the context otherwise requires, all references to dollar amounts in this Prospectus and any Prospectus Supplement are references to Canadian dollars. References to "\$" or "Cdn.\$" are to Canadian dollars and references to "U.S.\$" are to U.S. dollars. See "Exchange Rate Information".

Unless otherwise indicated, all financial information included or incorporated by reference in this Prospectus or included or incorporated by reference in any Prospectus Supplement has been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's financial statements that are incorporated by reference into this Prospectus have been reconciled to generally accepted accounting principles in the United States ("U.S. GAAP"), as described therein. For a discussion of the principal differences between Canadian GAAP and U.S. GAAP as they apply to our financial statements, you should refer to our supplementary schedule of "Reconciliation to Accounting Principles Generally Accepted in the United States" in accordance with Item 18 of Form 20-F for the year ended December 31, 2006 and the unaudited Item 18 "Reconciliation to Accounting Principles Generally Accepted in the United States" for the three and six month period ended June 30, 2007, incorporated by reference into this Prospectus.

This Prospectus is part of a registration statement on Form F-10 relating to the Securities that we filed with the U.S. Securities and Exchange Commission (the "SEC"). We may, from time to time, sell any combination of the Securities described in this Prospectus in one or more offerings up to an aggregate amount of U.S.\$300,000,000. This Prospectus provides you with a general description of the Securities that we may offer. Each time we sell Securities under this Prospectus, we will provide a Prospectus Supplement that will contain specific information about the terms of that offering. The Prospectus Supplement may also add, update or change information contained in this Prospectus. Before you invest, you should read both this Prospectus and any applicable Prospectus Supplement, together with additional information incorporated by reference and described under the heading "Documents Incorporated By Reference". **This Prospectus does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. You should refer to the registration statement and the exhibits to the registration statement for further information with respect to us and the Securities.**

INDUSTRY AND MARKET DATA

The Company obtained the industry, market and competitive position data throughout this Prospectus from its own internal estimates and research as well as from industry publications, studies and surveys conducted by third parties, including The CPM Platinum Group Metals Yearbook, 2007. None of these publications, studies or surveys were prepared for use in connection with this Prospectus. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While the Company believes that each of these studies and publications is reliable, it has not independently verified market and industry data from third-party sources. In addition, while the Company believes its internal company research is reliable and the definitions used in this Prospectus are appropriate, neither such research nor these definitions have been verified by any independent source.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

This Prospectus has been, and any Prospectus Supplement will be, prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all reserve and resource estimates included in this Prospectus and any Prospectus Supplement have been, and will be, prepared in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum classification system. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

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

See "Glossary of Terms" in this Prospectus for a description of certain of the mining terms used in this Prospectus and any Prospectus Supplement and the documents incorporated by reference herein and therein.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference herein contain forward-looking statements within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995 and the securities legislation of certain of the provinces of Canada, including the *Securities Act* (Ontario). Forward-looking statements are necessarily based on estimates and assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These estimates and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies, many of which, with respect to future events, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by the Company, or on its behalf.

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In making the forward-looking statements in this Prospectus and the documents incorporated by reference herein, the Company has made several assumptions that it believes are appropriate, including, but not limited to, the assumptions that:

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

mine plan scenarios will be viable and that exploration and development work, including at the Offset High Grade Zone, the Shebandowan West Project and the Arctic Platinum Project, will proceed as expected;

the Company will not be subject to any environmental disasters, significant litigation, significant regulatory changes or significant labor disruptions;

the integrated operation of the underground mine and the open pit mine at Lac des Iles will remain operationally and economically viable;

the advice the Company has received from its consultants and advisors relating to matters such as mineral reserves and mineral resources, environmental requirements and certain legal proceedings is reliable and correct and, in particular, that the models, dilution strategies and mining recovery estimates used to calculate mineral reserves and mineral resources are appropriate and accurate; and

financing will be available on reasonable terms.

We cannot assure you that any of these assumptions will prove to be correct.

The words "expect," "anticipate," "estimate," "may," "could", "would", "might", "will," "should," "intend," "believe," "target," "budget," "plan," "strategy", "goals", "objectives", "projection" or the negative of any of these words and similar expressions are intended to identify forward-looking statements. Information concerning mineral reserve and mineral resource estimates also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed or as development continues.

In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion or incorporation by reference of forward-looking statements in this Prospectus should not be considered as a representation by the Company or any other person that the Company's objectives or plans will be achieved. Numerous factors could cause the Company's actual results to differ materially from those expressed or implied in the forward-looking statements, including the following, which are discussed in greater detail under the heading "Risk Factors":

fluctuations in commodity prices;

fluctuations in foreign currency exchange rates, particularly the Canadian dollar/U.S. dollar exchange rate;

the ability of the Company to meet production volume or operating cost estimates;

the accuracy of mineral reserve and mineral resource estimates;

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

risks related to future exploration;

the Company's history of losses and the possibility of future losses;

inherent risks and hazards associated with mining and processing operations;

the ability of the Company to maintain projected production levels at the Lac des Iles mine;

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interruption of operations at the Lac des Iles mine;

uncertainty related to title of the Company's mineral properties;

the Company's dependence on a third party for smelting and refining its metal;

increased competition for exploration, development and construction services and equipment;

the risk that the Company may not satisfy the conditions to the earn-ins for each of the Shebandowan West Project and the APP or that these properties will not be managed in a way favorable to the Company;

the ability of the Company to obtain external financing to explore and develop its properties;

employment disruptions, including the failure to renew on acceptable terms or at all the collective agreement between the Company and the United Steelworkers of America;

costs of complying with environmental laws and regulations;

costs of complying with government regulations;

the risk that permits and regulatory approvals necessary to develop and operate mines on the Company's properties will not be available on a timely basis, on reasonable terms or at all;

risk associated with the process of obtaining and renewing governmental permits;

the ability of the Company to successfully renew mineral claims in Finland;

competition from larger suppliers of platinum group metals and from potential new sources of platinum group metals;

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

loss of key personnel;

the ability of the Company to comply with the terms of its credit facilities and the Convertible Notes due 2008;

the ability of the Company's principal shareholder to control the Company;

risk related to hedging strategy;

lack of infrastructure necessary to develop the Company's projects;

risks the Company faces in pursuing exploration activities abroad;

risks involved in current or future litigation or regulatory proceedings; and

the ability of the Company to maintain adequate internal control over financial reporting.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company believes that the expectations reflected in the forward-looking statements contained in this Prospectus are reasonable, but no assurance can be given that these expectations will prove to be correct. In addition, although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company undertakes no obligation to release publicly any future revisions to forward-looking statements to reflect events or circumstances after the date of this Prospectus or to reflect the occurrence of unanticipated events, except as required by law.

EXCHANGE RATE INFORMATION

The following table sets forth (i) the rates of exchange for Canadian dollars, expressed in U.S. dollars, in effect at the end of each of the periods indicated, (ii) the high and low exchange rates during each of the periods indicated and (iii) the average of such exchange rates on the last day of each month during such periods. These rates are based on the inverse noon buying rate in the City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York. On October 30, 2007, the inverse of the noon buying rate was \$1.00 per U.S.\$1.0489.

	Year Ended December 31,					Six Months Ended June 30,	
	2002	2003	2004	2005	2006	2006	2007
End of period	0.6359	0.7704	0.8320	0.8605	0.8576	0.8959	0.9385
High	0.6618	0.7733	0.8493	0.8695	0.9102	0.9102	0.9446
Low	0.6198	0.6355	0.7160	0.7878	0.8533	0.8533	0.8442
Average ⁽¹⁾	0.6370	0.7205	0.7719	0.8282	0.8847	0.8892	0.8914

Notes:

- (1) The average of the inverse of the noon buying rate on the last day of each month during the applicable period.

INDUSTRY OVERVIEW

Platinum Group Metals

Palladium is one of the six platinum group metals ("PGMs"), along with platinum, rhodium, ruthenium, iridium and osmium. Economically, the three most significant PGMs are palladium, platinum and rhodium. The primary use for palladium is in the manufacture of catalytic converters in the automotive industry. It is also used in the manufacture of jewellery and electronics, and in dental and chemical applications.

Supply

Palladium is typically produced as a by-product metal from platinum mines. Most of the world's palladium is produced in Russia (35%), the Republic of South Africa (34%) and North America (12%).

Global supply of palladium increased by approximately 3.1% in 2006 to 8,437,000 ounces. Of this total, mine production accounted for approximately 7,030,000 ounces (an increase of 9.6% from the prior year) and secondary recovery of palladium accounted for approximately 1,407,000 ounces.

Demand

Global demand for palladium increased by approximately 11.0% in 2006 to approximately 7,722,000 ounces, primarily as a result of the strong performance of the industries that use palladium and the relative attractiveness and affordability of palladium compared to substitutes (such as platinum, rhodium and gold). The year 2006 represented the third consecutive year of double-digit growth in palladium demand, and the fifth consecutive year of growth in palladium demand overall.

Approximately 50% of the global demand for palladium in 2006 stemmed from the automotive industry. The majority of the balance of palladium demand in 2006 stemmed from electronics (16%), jewellery (4%), Chinese demand for electronics and jewellery (10%), dental applications (13%) and other chemical applications (5%).

The primary use for palladium in the automotive industry is in the manufacture of catalytic converters, which reduce harmful vehicle exhaust emissions by converting them into less harmful carbon dioxide, nitrogen and water vapour. Palladium, platinum and rhodium are primary components in catalytic converters. The demand for palladium in the automotive industry has more than doubled in the last ten years due to the larger number of vehicles being manufactured and the tightening of emissions standards that require the use of catalytic converters. Catalytic converters are now included in over 96 percent of new cars. With the palladium price currently substantially below that of platinum, automakers have a strong financial incentive to switch their catalyst formulations for gasoline vehicles from those based on platinum to palladium.

Palladium is also extensively used in the manufacture of jewellery and may be used either on its own or as an alloy in "white gold". In the electronics industry, palladium is used mainly in the production of multi-layer ceramic capacitors, which are used in electrical components for cellular telephones, personal and notebook computers, fax machines and home electronics. In the dental industry, palladium is widely used in alloys for dental restoration. Additionally, various chemical applications use palladium, including the manufacture of paints, adhesives, fibers and coatings. Palladium is also used in the in the manufacture of polyester.

A further macroeconomic trend has been increased investor demand for palladium by virtue of its association with other precious metals (e.g., platinum and rhodium). Strong investor sentiment for these precious metals has provided support for a favorable palladium pricing environment.

Historical Palladium Price Performance

Since January 1, 2005, the price of palladium has approximately doubled as a result of strong demand, most notably in the automotive industry.

Historical Palladium Prices (U.S.\$/oz)

Source: Bloomberg

THE COMPANY

This description of the Company is derived in part from selected information about the Company contained in the documents incorporated by reference into this Prospectus. This description does not contain all of the information about the Company and its properties and business that you should consider before investing in any Securities. You should carefully read the entire Prospectus and the applicable Prospectus Supplement, including the sections titled "Risk Factors" and "Mineral Properties", as well as the documents incorporated by reference into this Prospectus and the applicable Prospectus Supplement, before making an investment decision. Forward-looking statements concerning the Company's exploration efforts, plans at its properties, production, capital costs, operating costs and cash flow estimates and other matters are subject to a variety of known and unknown risks, uncertainties and other factors that could cause the Company's results to differ from those expressed or implied by such forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements".

Overview of North American Palladium's Business

North American Palladium is Canada's only primary producer of PGMs, producing an estimated 4% of annual global palladium production. While the majority of the Company's revenue is derived from the sale of palladium, the Company also generates a considerable portion of its revenue from the sale of platinum, nickel, gold, and copper, all of which are by-products of the Company's palladium mining operations. North American Palladium's principal properties and projects are the Lac des Iles property (including the Lac des Iles mine and the Offset High Grade Zone (the "OHGZ")), the Shebandowan West Project and the Arctic Platinum Project (the "APP").

Lac des Iles Property

Lac des Iles mine

The Company owns and operates the Lac des Iles mine located 85 kilometers from Thunder Bay, Ontario, Canada. The Lac des Iles mine consists of an open pit mine, an underground mine and two processing plants (one of which is currently idle). The primary deposit on the property is the Roby Zone, a disseminated magmatic nickel-copper-PGM deposit. The Company began mining the Roby Zone in 1993 using open pit mining methods. In April 2006, an underground mine went into commercial production to access a higher grade portion of the Roby Zone. In 2006, the Company produced 237,338 ounces of palladium from the Lac des Iles mine and in the nine months ended September 30, 2007, the Company produced 214,739 ounces of palladium from the Lac des Iles mine. In order to further extend the mine life of the open pit, the Company is currently assessing the economic viability of a southern extension of the open pit, which could generate additional operating cash flow.

Offset High Grade Zone

The OHGZ is located on the Lac des Iles property and was discovered by the Company's exploration team in 2001. The OHGZ is believed to be the fault-displaced continuation of the Roby Zone mineralization and is located below and approximately 250 meters to the west of the Roby Zone. A mineral resource estimate prepared by Scott Wilson Roscoe Postle Associates Inc. ("Scott Wilson RPA") in October 2007 estimated that the OHGZ has more than three times the mineral resources of the current underground mine at the Roby Zone at similar grades, while still being open along strike to the north, south and at depth. An exploration drilling program to search for the depth extent of the OHGZ is currently in progress and a program of in-fill drilling to upgrade the classification of the mineral resources found in the upper third of this deposit is nearing completion. In September 2007, the Company engaged a team of third party consultants to prepare a preliminary economic assessment that will review possible mine development scenarios for the OHGZ.

Shebandowan West Project

The Shebandowan West Project contains a series of nickel-copper-PGM mineralized bodies and is located approximately 100 kilometers southwest of the Company's Lac des Iles mine. The project encompasses three shallow mineralized zones known as the West, Road and "D" zones, located immediately to the west of the former producing Shebandowan mine, in an area known as the Shebandowan West district. The Shebandowan West Project is part of a larger property totaling approximately 7,842 hectares that includes the former producing Shebandowan mine and the surrounding Haines and Conacher properties, over which the Company is entitled to earn up to a 50% interest pursuant to an agreement with CVRD Inco Limited ("CVRD Inco"). Management believes that it will satisfy the conditions of its earn-in right by the end of 2007. Management is considering a mine development scenario for the Shebandowan West Project that would entail excavation of the mineralization from the Shebandowan West Project by means of ramp-accessed underground mining methods at a rate of 500 to 1,000 tonnes per day, crushing the material on site and transporting it by truck to the Lac des Iles property for processing at a refurbished mill. If plans proceed as expected, production at the Shebandowan West Project could commence in 2009.

Arctic Platinum Project

The APP is comprised of a series of advanced-stage nickel-copper-PGM exploration projects located approximately 60 kilometers south of the city of Rovaniemi, Finland. The Company is party to an agreement with subsidiaries of Gold Fields Limited of South Africa ("Gold Fields") entitling it to earn up to a 60% interest in the APP. Management believes that the Company will satisfy the conditions of its earn-in right by August 31, 2008, which will include completion of a re-scoping study and exploration program, completion of a feasibility study, and the preparation of the initial form of development proposal and associated budget.

To date, three areas of the APP have been explored by North American Palladium: (i) the Suhanko projects, which cover approximately 17 kilometers of stratigraphy that the Company believes is favorable for nickel-copper-PGM mineralization; (ii) the Narkaus project, which covers approximately 20 kilometers of stratigraphy that the Company believes is favorable for nickel-copper-PGM mineralization and is located approximately 30 kilometers northeast of the Suhanko projects; and (iii) the Penikat project, which covers approximately 27 kilometers of stratigraphy that the Company believes is favorable for nickel-copper-PGM mineralization and is located approximately 35 kilometers to the southwest of the Suhanko projects. At Suhanko, the Company is studying a development scenario consisting of two open pit mines at two of the deposits, which are located three kilometers from each other. Under this scenario, the nickel-copper-PGM bearing material would be processed through a centrally-located concentrator at a nominal throughput rate of five million tonnes per year. Additionally, management believes that the economics of the development scenario might be enhanced by the development of two higher grade deposits at the Narkaus project. A scoping study on the Suhanko projects completed by Aker Kvaerner in October 2007 indicated that the mineral resources could potentially support a 20-year mine life at 7.5 million tonnes per annum. To this end, the Company has retained Aker Kvaerner to prepare a definitive feasibility study for the Suhanko project.

Mineral Reserve and Mineral Resource Estimates

The table below sets forth estimated mineral reserves and resources as at June 30, 2007 for the Lac des Iles mine (including the OHGZ), as at August 9, 2007 for the Shebandowan West Project and as at September 1, 2006 for the APP, in each case as calculated pursuant to NI 43-101. The information under the heading "North American Palladium Projected Share of Project Resources" assumes a net inventory to North American Palladium of 50% for the Shebandowan West Project and 60% for the APP. Assuming successful completion of its earn-in requirements at the Shebandowan West Project, the Company's interest is initially expected to be 50%, which could be reduced to 40% upon the exercise

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by CVRD Inco of a claw-back right. Assuming successful completion of its earn-in requirements at the APP, the Company's interest is initially expected to be 60%, which could be reduced to 50% upon the exercise by Gold Fields of a claw-back right.

Lac des Iles Reserves⁽¹⁾⁽²⁾⁽⁸⁾

Property	Reserves	Tonnes	Pd	Pt	Au	Cu	Ni	Pd	Pt
		(000)	(g/t)	(g/t)	(g/t)	(%)	(%)	(000 oz)	(000 oz)
Open Pit	Proven	4,729	2.27	0.22	0.19	0.076	0.074	346	33
	Probable	7,573	1.67	0.17	0.13	0.052	0.062	406	41
	Proven and Probable	12,302	1.90	0.19	0.15	0.061	0.067	752	74
Underground	Probable	2,635	6.58	0.39	0.32	0.063	0.078	558	33

North American Palladium Share of Project Resources⁽²⁾⁽³⁾⁽⁸⁾

Property	Resources	Tonnes	Pd	Pt	Au	Cu	Ni	Pd	Pt
		(000)	(g/t)	(g/t)	(g/t)	(%)	(%)	(000 oz)	(000 oz)
LDI Open Pit ⁽¹⁾	Measured	8,909	1.77	0.23	0.13	0.062	0.053	507	66
	Indicated	14,775	1.30	0.16	0.10	0.044	0.053	616	78
	Measured and Indicated	23,684	1.48	0.19	0.11	0.050	0.053	1,123	143
	Inferred	135	2.73	0.19	0.11	0.043	0.037	12	1
LDI Underground ⁽¹⁾	Indicated	4,517	5.97	0.39	0.38	0.105	0.118	867	57
	Inferred	12,794	5.25	0.38	0.37	0.108	0.124	2,161	155
Shebandowan ⁽⁴⁾⁽⁵⁾	Measured	368	1.19	0.37	0.22	0.66	0.89	14	4
	Indicated	924	1.05	0.33	0.23	0.60	0.92	31	10
	Measured and Indicated	1,292	1.09	0.34	0.23	0.62	0.91	45	14
	Inferred	171	0.97	0.27	0.18	0.61	1.11	5	2
APP ⁽⁶⁾⁽⁷⁾	Measured	27,644	1.08	0.26	0.11	0.17	0.07	960	231
	Indicated	63,857	1.06	0.24	0.12	0.20	0.08	2,176	493
	Measured and Indicated	91,501	1.07	0.25	0.12	0.19	0.08	3,148	735
	Inferred	15,239	1.04	0.25	0.11	0.17	0.07	510	122

Total Project Resources (joint ventures)⁽²⁾⁽³⁾⁽⁸⁾

Property	Resources	Tonnes	Pd	Pt	Au	Cu	Ni	Pd	Pt
		(000)	(g/t)	(g/t)	(g/t)	(%)	(%)	(000 oz)	(000 oz)
Shebandowan ⁽⁴⁾	Measured	736	1.19	0.37	0.22	0.66	0.89	28	9
	Indicated	1847	1.05	0.33	0.23	0.60	0.92	62	20
	Measured and Indicated	2583	1.09	0.34	0.23	0.62	0.91	91	28
	Inferred	342	0.97	0.27	0.18	0.61	1.11	11	3
APP ⁽⁶⁾	Measured	46,074	1.08	0.26	0.11	0.17	0.07	1,600	385
	Indicated	106,428	1.06	0.24	0.12	0.20	0.08	3,627	821
	Measured and Indicated	152,502	1.07	0.25	0.12	0.19	0.08	5,247	1,226
	Inferred	25,398	1.04	0.25	0.11	0.17	0.07	849	204

Notes:

(1)

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The mineral reserve and resource estimates for the Lac des Iles property were prepared by Graham Clow, Leo Hwozdyk, Deborah A. McCombe and Ian T. Blakley of Scott Wilson RPA (all "qualified persons" under NI 43-101), using a cut-off grade of 1.1 g/t Pd for the open pit and 4.5 g/t Pd for the underground, assuming long-term prices of U.S.\$325/oz Pd,

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U.S.\$1,000/oz Pt, U.S.\$550/oz Au, U.S.\$11/lb Ni and U.S.\$2.50/lb Cu. OHGZ indicated and inferred resource estimates from February 2007 are included in the LDI Underground figures and are based on a 3.6 g/t Pd equivalent cut-off grade.

- (2) Due to rounding differences, total contained ounces of measured and indicated resources of Pd and Pt may not be equal to the sum of these two mineral resource categories.
- (3) Although "Measured Resources", "Indicated Resources" and "Inferred Resources" are categories of mineralization that are recognized and required to be disclosed by Canadian regulators, the SEC does not recognize them. Mineral resources that are not mineral reserves do not have demonstrated economic viability. See "Cautionary Note to United States Investors".
- (4) The mineral resource estimates for the Shebandowan West Project were prepared by F.H. Brown, CPG, Pr. Sci. Nat. (a "qualified person" under NI 43-101) using a cut-off grade of U.S.\$60.00 NSR and 18-month trailing average metal prices of U.S.\$300/oz Pd, U.S.\$750/oz Pt, U.S.\$400/oz Au, U.S.\$7/lb Ni and U.S.\$1.50/lb Cu.
- (5) Assumes a net inventory to North American Palladium of 50% for the Shebandowan West Project. Assuming successful completion of its earn-in requirements, the Company's interest is initially expected to be 50%, which could be reduced to 40% upon the exercise by CVRD Inco of a claw-back right.
- (6) The mineral resource estimates for the APP were prepared by F.H. Brown, CPG, Pr. Sci. Nat. (a "qualified person" under NI 43-101) using a cut-off grade of 1.0 g/t Pd equivalent cut-off grade and 18-month trailing average metal prices of U.S.\$344/oz Pd, U.S.\$1,222/oz Pt, U.S.\$644/oz Au, U.S.\$15.27/lb Ni and U.S.\$3.26/lb Cu.
- (7) Assumes a net inventory to North American Palladium of 60% for the APP. Assuming successful completion of its earn-in requirements at the APP, the Company's interest is initially expected to be 60%, which could be reduced to 50% upon the exercise by Gold Fields of a claw-back right.
- (8) Pd and Pt ounces are stated as contained ounces. Disclosure of contained ounces is permitted under Canadian regulations; however, the SEC generally permits resources to be reported only as in place tonnage and grade. See "Cautionary Note to United States Investors".

Key Strengths

The Company believes that its business is characterized by the following key strengths, providing it with certain competitive advantages:

Focus on Palladium. The Company's activities are focused on palladium and, to a lesser extent, other PGMs, nickel and copper. North American Palladium is the only primary producer of palladium in Canada and one of only two in North America. This focus on palladium has enabled the Company to gain an understanding of the geology of PGM deposits as well as mining and processing methods for PGMs.

Maximize Exposure to Palladium. The Company does not, and does not intend to, hedge palladium production, thereby maximizing its exposure to palladium prices. As a result, management believes that investors in North American Palladium securities gain direct exposure to the palladium market.

Experienced Producer. North American Palladium and its predecessor have almost four decades of experience in metals mining. Management believes that it has made significant operational improvements at its Lac des Iles mine, as evidenced by the stronger operating results achieved over the Company's last six quarters. The experience gained developing the underground mine at Lac des Iles, which was completed on time and on budget, is expected to be applied to the construction of the underground mine at the Shebandowan West Project. In addition, the Company's experience in mining PGMs at the Lac des Iles mine is anticipated to assist with the development of its other projects, which exhibit similar geology and climate conditions.

Strong Operating Base. The Company expects that its existing operations will generate cash flow during the development phase of the Company's other projects. In addition, the extensive and fully permitted infrastructure associated with the Lac des Iles mine, including the two mills, is expected to support the OHGZ development project and the nearby Shebandowan West Project. Management believes this infrastructure provides the Company with a significant competitive advantage to exploit other PGM deposits in the region.

Strong Exploration Potential. Grassroots exploration is an important ongoing part of North American Palladium's growth strategy. Management believes that there is further exploration potential around the Company's Lac des Iles mine, on the Haines and Conacher property surrounding the Shebandowan West Project and at various satellite deposits at the APP. In addition, the Company continually seeks opportunities to explore new properties. In October 2007, the Company staked 39 claims in Shawmere, near Timmins, Ontario, Canada, and intends to continue to pursue grassroots exploration activity in this area known as the Shawmere Project.

Operations in Mining-Friendly Regions. The Company's current mine and advanced exploration projects are located in Canada and Finland, which management believes are politically stable countries with regulatory frameworks that are generally supportive of the mining industry. The Company's track record of community outreach and consultation with communities situated in proximity to the Company's Lac des Iles mine and each of the advanced exploration projects has also resulted in strong local support for the Company's activities.

Highly Experienced Management Team. In November 2005, Mr. James Excell became President and Chief Executive Officer of the Company. Mr. Excell is an e