

NORTH AMERICAN PALLADIUM LTD
Form SUPPL
April 27, 2010

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PROSPECTUS SUPPLEMENT
(To Base Shelf Prospectus dated February 9, 2010)

April 27, 2010

10,000,000 Common Shares

This prospectus supplement relates to: (i) up to 8,700,000 common shares ("Common Shares") of North American Palladium Ltd. (the "Company") issuable from time to time upon the exercise of 8,700,000 whole common share purchase warrants (the "Warrants") expected to be issued by the Company on or about April 28, 2010 as part of the Unit Offering (defined below); (ii) up to 1,300,000 additional Common Shares issuable from time to time upon the exercise of 1,300,000 whole Warrants in connection with an overallotment option granted to a syndicate of underwriters (the "Underwriters") in connection with the Unit Offering; and (iii) such indeterminate number of additional Common Shares that may be issuable by reason of the anti-dilution provisions contained in the indenture governing the Warrants.

On April 21, 2010, the Company filed a prospectus supplement (the "Supplement") to the short form base shelf prospectus dated February 9, 2010 with the securities commission or similar regulatory authority in each of the provinces of Canada and with the United States Securities and Exchange Commission (the "SEC") relating to the offering (the "Unit Offering") by the Company to the public in Canada and the United States of units ("Units"), each Unit consisting of one Common Share and one-half of a Warrant. The Unit Offering is expected to close on April 28, 2010. The exercise price of the Warrants was determined by negotiation between the Company and the Underwriters.

Investing in the Common Shares involves risk. Please carefully consider the "Risk Factors" section beginning on page S-4 of this prospectus supplement.

This prospectus supplement registers the distribution of the securities to which it relates under the United States Securities Act of 1933, as amended (the "Securities Act"), in accordance with the multi-jurisdictional disclosure system adopted by the United States and Canada ("MJDS"). This prospectus supplement does not qualify in any of the provinces of Canada the distribution of the securities to which it relates.

This prospectus supplement is filed by a Canadian issuer that is permitted, pursuant to the MJDS, to prepare this prospectus supplement and the accompanying 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 incorporated herein and therein by reference have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), 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 Canada. Such consequences for investors who are resident in, or citizens of, the United States or Canada may not be described fully herein. Prospective investors should read the tax discussion contained in this prospectus supplement with respect to the offering of securities. See the "Income Tax Considerations" sections in this prospectus supplement and in the accompanying prospectus.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the federal 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 supplement and the accompanying prospectus relate are residents of a foreign country, and that all or a substantial portion of the assets of the Company and said persons are located outside the United States.

No underwriter has been involved in the preparation of, or has performed a review of, the contents of this prospectus supplement or the accompanying prospectus.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES, PASSED ON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The Company's outstanding Common Shares are listed for trading on the NYSE Amex Equities ("NYSE Amex") and the Toronto Stock Exchange ("TSX") under the trading symbols "PAL" and "PDL", respectively. The TSX has conditionally approved and the NYSE Amex has approved the listing of the Common Shares issuable upon exercise of the Warrants. In addition, the TSX has conditionally approved the listing of the Warrants (under the symbol PDL.WT.B). Listing on the TSX is subject to the Company fulfilling all of the requirements of the TSX on or before July 20, 2010, including, in the case of the Warrants, distribution to a minimum number of public securityholders.

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates certain information contained in the accompanying prospectus, dated February 9, 2010, and the documents incorporated by reference herein and therein. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. This prospectus supplement is deemed to be incorporated by reference into the accompanying prospectus solely for the purposes of this offering. If the description of the Common Shares and Warrants varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. In this prospectus supplement, all capitalized terms used and not otherwise defined herein have the meanings provided in the accompanying prospectus.

Unless otherwise indicated or the context suggests otherwise, all references in this prospectus supplement and the accompanying prospectus to "North American Palladium," the "Company," "we," "us," and "our" are to North American Palladium Ltd. and its subsidiaries.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not authorized any other person to provide you with different or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein is accurate only as of the respective dates of the documents in which such information appears. Our business, financial condition, results of operations and prospects may have changed since those dates.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

This prospectus supplement and the accompanying prospectus have been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all reserve and resource estimates included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein have been 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 supplement and the accompanying prospectus 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." Investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Investors are cautioned not to assume that any part of a "measured resource" or "indicated resource" will ever be converted into a "reserve." Investors should also understand that "inferred resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of "inferred resources" exist, are economically or legally mineable or will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred resources" may not

form the basis of feasibility or pre-feasibility studies except in rare cases. In addition, disclosure of "contained ounces" in a mineral resource is permitted disclosure under Canadian regulations. However, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade, without reference to unit measures. Accordingly, information concerning mineral deposits set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein may not be comparable to information made public by companies that report in accordance with U.S. standards.

See "Glossary of Mining Terms" in the accompanying prospectus for a description of certain of the mining terms used in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein.

DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed, as of the date hereof, to be incorporated by reference into the accompanying prospectus solely for the purposes of this offering.

The following documents which have been filed by the Company with securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference into, and form an integral part of, the accompanying prospectus, as supplemented by this prospectus supplement:

- (a) the annual information form of the Company dated March 31, 2010 for the financial year ended December 31, 2009 (the "AIF");
- (b) the audited consolidated financial statements of the Company and the notes thereto for the financial year ended December 31, 2009, together with the report of the auditors thereon;
- (c) management's discussion and analysis of the financial condition and results of operations of the Company for the financial year ended December 31, 2009;
- (d) the supplementary schedule "Reconciliation to Accounting Principles Generally Accepted in the United States" prepared in connection with the audited consolidated financial statements of the Company for the financial year ended December 31, 2009, together with the report of the auditors thereon;
- (e) the management information circular of the Company dated April 23, 2009 prepared in connection with the Company's annual meeting of shareholders held on May 28, 2009, excluding those portions under the headings "Solicitation of Proxies", "Appointment and Revocation of Proxy", "Exercise of Discretion by Proxies", "Performance Graph", "Corporate Governance" and "Obligations, Duties and Roles of the Board of Directors"; and
- (f) the material change report dated April 14, 2010, prepared in connection with the Company's resumption of palladium production at the Company's Lac des Iles mine.

Vincent Jourdain, Eng. PhD prepared a NI 43-101 Technical Report for the Sleeping Giant gold mine (the "Sleeping Giant Report") entitled "Updated Reserves and Resources on December 31, 2009, The Sleeping Giant Mine, Northwestern Quebec" dated and filed on SEDAR on March 31, 2010. Mr. Jourdain is not independent from the Company. **The Sleeping Giant Report includes and updates technical information from a NI 43-101 Technical Report for the Sleeping Giant gold mine prepared by Genivar L.P. (the "Genivar Report") dated October 8, 2008. As a result, any reference to, or information originating from, the Genivar Report that may be presented in the documents incorporated by reference in this prospectus supplement is no longer relevant and is excluded from this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein.**

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Any material change reports (excluding confidential material change reports), annual information forms, interim consolidated financial statements of the Company (including the related management's discussion and analysis), annual audited consolidated financial statements of the Company (including the auditors' report thereon and the related management's discussion and analysis), business acquisition reports, information circulars, and any other disclosure documents required to be incorporated by reference herein under Canadian National Instrument 44-101 *Short Form Prospectus Distributions* which are filed by the Company with the Ontario Securities Commission after the date of this prospectus supplement and prior to the termination of the offering of securities hereunder shall be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus. Any similar document filed by the Company with, or furnished by the Company to, the SEC pursuant to the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the date of this prospectus supplement shall be deemed to be incorporated by reference into this prospectus supplement and the accompanying prospectus and filed as exhibits to the registration statement of which this prospectus supplement forms a part (in the case of any Report on Form 6-K, if and to the extent provided in such report).

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

CURRENCY AND FINANCIAL STATEMENT PRESENTATION

Unless otherwise specified or the context otherwise requires, all references to dollar amounts in this prospectus supplement, the accompanying prospectus and any document incorporated by reference herein or therein are references to Canadian dollars. References to "\$" or "Cdn.\$" are to Canadian dollars and references to "US\$" are to U.S. dollars. See "Exchange Rate Information."

Unless otherwise indicated, all financial information included or incorporated by reference in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein has been prepared in accordance with Canadian GAAP. The Company's audited financial statements that are incorporated by reference into this prospectus supplement and the accompanying prospectus have been reconciled to generally accepted accounting principles in the United States ("U.S. GAAP"), as described therein. For a summary of the significant differences between Canadian GAAP and U.S. GAAP as they apply to the Company's audited financial statements, you should refer to our supplementary schedule "Reconciliation to Accounting Principles Generally Accepted in the United States" prepared in connection with the audited consolidated financial statements of the Company for the financial year ended December 31, 2009. See "Documents Incorporated by Reference."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein contain forward-looking statements, which include future-oriented financial information, 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, including future-oriented financial information, 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.

In making the forward-looking statements, including future-oriented financial information, in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, the Company has made several assumptions that it believes are appropriate, including, but not limited to, the assumptions that:

operations at the Lac des Iles mine and at the Sleeping Giant gold mine will be and remain viable operationally and economically;

the expectations for mill feed head grade and mill performance will proceed as expected;

the plans for mine production, mill production and exploration will all proceed as expected;

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

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

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

financing will be available on reasonable terms.

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

Forward-looking statements included or incorporated by reference in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, include statements with respect to anticipated future results, the Company's acquisition strategy, the Company's objectives or plans to grow production and reserves, expectations regarding the ability to raise capital and add to reserves, information concerning mineral resource and mineral reserve estimates, events and conditions and other statements that are not statements of historical fact. The words "expect," "anticipate," "estimate," "may," "could," "might," "will," "would," "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, although these words may not be present in all forward looking statements.

In light of the risks and uncertainties inherent in all forward-looking statements, including future-oriented financial information, the inclusion or incorporation by reference of forward-looking statements in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, should not be considered as a representation by the

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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" in this prospectus supplement and elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein:

weak prices of palladium, gold and other by-product metals or fluctuations in the prices of these commodities;

the state of the global economy and economic and political events, including the deterioration of the global capital markets, affecting availability of financing and metal supply and demand;

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

the ability of the Company to meet operating cost estimates at the Lac des Iles mine and the Sleeping Giant gold mine;

the accuracy of mineral resource and mineral reserve estimates;

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

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

the risks related to acquisitions and the failure to adequately integrate acquired mining properties and companies;

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

the inherent risks and hazards associated with mining and processing operations;

the failure to achieve or maintain projected production levels;

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

the Company's dependence on a third party for smelting and refining the concentrate that is produced at the Lac des Iles mill;

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

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

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costs of complying with environmental, health and safety laws and regulations;

costs of complying with other 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;

competition from larger producers of platinum group metals ("PGMs") and gold and from potential new producers;

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

loss of key personnel;

the ability of the Company to comply with the terms of credit facilities that it may enter into;

the potential ability of Kaiser-Francis Oil Company ("KFOC") to control the Company;

risks related to the Company's hedging strategies or its decision not to hedge;

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

risks involved in current or future litigation or regulatory proceedings;

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

the ability of shareholders in the United States to enforce civil liabilities against a Canadian corporation.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. No assurance can be given that the expectations reflected in the forward-looking statements, including future-oriented financial information, contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein 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, including future-oriented financial information, 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 disclose publicly any future revisions to forward-looking statements, including future-oriented financial information, to reflect events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events, except as expressly required by law. Additionally, the forward-looking statements, including future-oriented financial information, contained herein are presented solely for the purpose of conveying management's belief as to the direction of the Company and may not be appropriate for other purpose.

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. It does not contain all the information that may be important to you. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein. See "Documents Incorporated by Reference" in this prospectus supplement. You should also carefully consider the matters discussed under "Risk Factors" in this prospectus supplement.

THE COMPANY

North American Palladium Ltd. is the successor to Madeleine Mines Ltd., a company incorporated under the *Mining Companies Act* (Québec) by letters patent in 1968. In January 1992, Madeleine Mines Ltd. was amalgamated with 2945-2521 Quebec Inc. and the amalgamated company was wound up into the federally incorporated parent company, 2750538 Canada Inc. This entity changed its name to Madeleine Mines Ltd. and, in June 1993, the name was changed to North American Palladium Ltd. The Company continues to exist under the *Canada Business Corporations Act* ("CBCA"). The Company's head and registered office is located at Suite 2116, 130 Adelaide Street West, Toronto, Ontario, Canada M5H 3P5, telephone: (416) 360-7590, fax: (416) 360-7709.

The Company has three wholly-owned subsidiaries: Lac des Iles Mines Ltd., Cadiscor Resources Inc. ("Cadiscor") and North American Palladium Arctic Services Oy. As part of its development strategy, the Company may acquire additional mining properties, including gold properties, where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition candidates in the future or that any such acquisitions will be successful. See "Use of Proceeds".

The Company's principal properties are the Lac des Iles property (including the Lac des Iles mine and the Offset High Grade Zone (the "Offset Zone")) and the Sleeping Giant gold mine. Other projects are the Discovery Project, the Flordin Property and the Shebandowan West Project.

Lac des Iles Property

The Company's Lac des Iles property is located approximately 85 kilometres northwest of the city of Thunder Bay, Ontario, Canada. The property consists of the Roby open pit mine, the Roby underground mine, the Offset Zone, a processing plant, and the original mill. The primary deposits on the property are the Roby Zone and the Offset Zone, both disseminated magmatic nickel copper PGM deposits. On October 21, 2008, the decision was made to temporarily place the Lac des Iles mine on care and maintenance, effective October 29, 2008, due to declining metal prices. On December 8, 2009, the Company announced its intention to restart operations at the Roby underground mine. On April 14, 2010, the Company announced that it had resumed production at the Roby underground mine and expects to produce approximately 140,000 ounces of palladium per year over a two-year period.

The Company has a workforce of approximately 180 employees at the Lac des Iles mine and recently signed a new collective agreement with the United Steelworkers for unionized workers, which expires May 31, 2012.

In the first quarter of 2010, the Company negotiated a new smelting and refining agreement with Xstrata Nickel ("Xstrata") for the purchase of substantially all of the concentrate from the Lac des Iles mine. Pricing is based on prevailing market prices, subject to smelting and refining charges. The contract has a two-year term and may be extended for an additional year upon mutual agreement. Concentrate will be delivered by truck to Xstrata's Sudbury, Ontario smelter operations where the nickel and copper are extracted. The PGM and gold bearing material will then be further processed at Xstrata's refining operations in Kristiansand, Norway. The new agreement entitles the Company to

receive an advance settlement payment equal to 70% of the recovered metals within 60 days following the month of concentrate delivery.

Sleeping Giant Gold Mine

The Company's Sleeping Giant gold mine is situated in the Abitibi region of Quebec, approximately 80 kilometres north of the town of Amos. The mine is a narrow vein underground mine that commenced production in 1988 and is accessible by a four-compartment production shaft with a total depth of 1,053 metres. The mine site also has a mill with a rated capacity of 900 tonnes per day. There are approximately 190 employees employed by the Sleeping Giant gold mine and mill.

On May 26, 2009, the Company acquired the Sleeping Giant gold mine through the acquisition of Cadiscor. The Company successfully restarted the mine on schedule and on budget and poured its first gold on October 6, 2009. The Sleeping Giant gold mine achieved commercial production as of January 1, 2010. Assuming the Sleeping Giant gold mine achieves steady-state production, expected to be mid-2010, the milling rate is expected to be approximately 15,000 tonnes per month and the Company expects cash costs to be approximately US\$550 per ounce with annualized production of 50,000 ounces. The current mineral reserves are expected to support operations for 12 months. If all of the mineral resources are converted to mineral reserves, the life of the mine is expected to increase by three years. In the first quarter of 2010, as the mine continued to ramp up, cash costs were significantly higher than the forecasted cash costs for steady-state production.

The ramp up to steady-state production has been slower than anticipated due in part to lower than expected grades from several producing stopes. In addition, whereas the previous operator tried to maintain approximately 16-18 stopes in production to ensure consistent tonnes and grade, the Company has thus far only operated 9-10 stopes at a time. The Company has abandoned three lower grade stopes and has attempted to make up for lost tonnage by mining remnants in previously mined stopes. New stopes are under development in order to increase the number of active stopes available for mining to seek to achieve a steady-state target of 50,000 ounces per year.

Discovery Project

The Company's Discovery Project is located approximately 35 kilometres northwest of the town of Lebel-sur-Quévillon, Quebec and approximately 70 kilometres from the Sleeping Giant gold mine. This greenfield gold property is comprised of 124 contiguous mining claims covering 3,351 hectares. Cadiscor engaged InnovExplo Inc. ("InnovExplo") of Val d'Or to prepare a NI 43-101 resource estimate and scoping study on the project, which was issued on August 1, 2008.

Flordin Property

In 2008, Cadiscor carried out preliminary exploration drilling on the Flordin property at a cost of \$0.3 million. Drilling on Flordin intersected several mineralized zones, expanding their lateral and depth dimensions and confirming the exploration potential of the property. During the last quarter of 2009, the Company hired InnovExplo to prepare a NI 43-101 resource estimate on the Flordin gold deposit. The report, entitled "Technical Report and Mineral Resource Estimate for the Flordin Deposit" dated and filed on SEDAR on March 31, 2010, estimated that there were 29,700 tonnes of measured resources grading 4.6 g/t Au, 649,200 tonnes of indicated resources grading 4.24 g/t Au and 1,451,400 tonnes of inferred resources grading 3.63 g/t Au.

Shebandowan West Project

On December 10, 2007, the Company earned a 50% interest in the former producing Shebandowan mine and the surrounding Haines and Conacher properties pursuant to an option and joint venture agreement with Vale Inco. The properties contain a series of nickel-copper-PGM

mineralized bodies and the land package is located 90 kilometres west of Thunder Bay, Ontario, and approximately 100 kilometres southwest from the Company's Lac des Iles mine. Vale Inco retained an option to increase its interest from 50% to 60%, exercisable in the event that a feasibility study on the properties results in a mineral reserve and mineral resource estimate of the equivalent of 200 million pounds of nickel and other metals.

Recent Developments

The Company has recently entered into a letter of intent to acquire the Vezza gold project in the Abitibi region in Quebec from Agnico-Eagle Mines Ltd. for Cdn.\$10 million, comprised of Cdn.\$3.5 million in cash and Cdn.\$6.5 million in Common Shares. The transaction is subject to TSX and NYSE Amex approval and is scheduled to close by late May, 2010, subject to certain closing conditions. While the property is not currently considered by the Company to be a material property, and is not intended, assuming the closing of the transaction, to be developed at this time, the Company believes that it has the potential to become material to the Company in the future. Following closing, the Company intends to conduct further work on the project, including dewatering and permit renewals, before making a decision on how best to advance the project. A NI 43-101 technical report in respect of the Vezza property is expected to be prepared and filed by late May or early June, 2010.

Resources	Tonnes	Grade (g/t)	Contained Ounces
Measured	190,000	6.1	37,100
Indicated	1,320,000	5.9	250,400
Total M&I	1,510,000	5.9	287,500
Inferred	754,000	5.0	121,500

- (1) These resources have been prepared using the CIM Definition Standards.
- (2) This mineral resource estimate was prepared by Scott Wilson Roscoe Postle Associates Inc. as of April 2, 2010.
- (3) Mineral resources are not mineral reserves with demonstrated economic viability. See "Cautionary Note to United States Investors".

Veza is an advanced-stage exploration project situated 80 kilometres by paved road from the Sleeping Giant gold mine. The Veza gold deposit historically underwent extensive exploration of 85,000 metres of drilling, and substantial underground development. The project, which has power at site, includes a three-compartment shaft with four underground levels down to a depth of 741 metres, a hoist, and surface and pollution control structures.

There can be no assurance that the Veza acquisition will be completed or, if completed, that the property will be developed.

As part of its development strategy, the Company may acquire additional mining properties where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition candidates in the future or that any such acquisitions will be successful.

The issuance of additional Common Shares by the Company as consideration for an acquisition transaction may involve risks that are described in "Risk Factors – Risks Related to the Common Shares and Warrants *Future sales or issuances of equity securities could decrease the value of the Common Shares and Warrants, dilute investors' voting power and reduce the Company's earnings per share.*"

RISK FACTORS

An investment in the Warrants and/or the Common Shares involves risk. In addition to the other information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, including without limitation, the risk factors referred to in the AIF under the heading "Risk Factors", and prospective investors should carefully consider the factors set out below in evaluating the Company and its business before making an investment in the Warrants and/or Common Shares. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of the Common Shares or the Warrants could decline and all or part of any investment in the Warrants and/or Common Shares may be lost. Additional risks and uncertainties not currently known to the Company or that the Company currently deems immaterial may also materially and adversely affect the Company's business, prospects, financial condition, results of operation and cash flows.

Risks Related to the Company

The Company is dependent on a third party for smelting and significantly refining its palladium. If the third party is unable to accommodate the Company's smelting and refining requirements or the existing contract is terminated or not renewed, the Company's ability to generate revenues could be harmed.

The Company has a smelter agreement with Xstrata, which provides for the smelting and refining of the metals contained in the concentrates produced at the Lac des Iles mine. The termination of the agreement or the failure to renew the agreement on acceptable terms, or at all, could have a material adverse effect on the Company's financial performance and results of operations until such time as alternative smelting and refining arrangements could be made or alternative purchasers of the Company's concentrates could be found. If the Company is required to make alternative refining arrangements or to find alternative purchasers, there can be no assurance that such arrangements would be on terms as favorable to the Company as its existing agreement with Xstrata.

See "Risk Factors" in the AIF, for a description of a number of additional risks related to the Company. See "Documents Incorporated by Reference".

Risks Related to the Common Shares and Warrants

Future sales or issuances of equity securities could decrease the value of the Common Shares and Warrants, dilute investors' voting power and reduce the Company's earnings per share.

The Company may sell additional equity securities in subsequent offerings (including special shares that have rights and preference potentially superior to those of the Common Shares or through the sale of debt securities or other securities convertible into equity securities) and may issue additional equity securities to finance future acquisitions and other projects and to satisfy its obligations pursuant to the exercise of common share purchase warrants. See "The Company Recent Developments".

Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares and Warrants. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and the Company may experience dilution in its earnings per share.

The Common Shares are publicly traded and are subject to various factors that have historically made the Company's share price volatile.

The trading price of the Common Shares has been, and may continue to be, subject to large fluctuations, which may result in losses to investors. The trading price of the Common Shares and Warrants may increase or decrease in response to a number of events and factors, including:

the Company's operating performance and the performance of competitors and other similar companies;

volatility in palladium, gold and other metal prices;

the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities;

changes in earnings estimates or recommendations by research analysts who track the Common Shares or the shares of other companies in the mineral resource sector;

changes in general economic and/or political conditions;

the number of Common Shares to be publicly traded after any offering;

the arrival or departure of key personnel;

acquisitions, strategic alliances or joint ventures involving the Company or its competitors; and

the factors listed under the heading "Cautionary Note Regarding Forward-Looking Statements."

In addition, the market prices of the Common Shares and Warrants are affected by many variables not directly related to the Company's success and that are, therefore, not within the Company's control, including other developments that affect the market for all mineral resource sector securities, the breadth of the public market for the Common Shares and Warrants, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares on the exchanges on which the Common Shares trade has historically made the Company's share price volatile and suggests that the Company's share price (and the price of the Warrants) could continue to be volatile in the future.

The Company's principal shareholder, KFOC, will own approximately 25.6% of the outstanding Common Shares following the Unit Offering.

To the Company's knowledge, KFOC will own approximately 25.6% of the outstanding Common Shares following the Unit Offering (assuming that KFOC has made and makes no purchases of Common Shares after April 20, 2010, including no purchases of Common Shares in connection with the Unit Offering).

KFOC currently has, and following the Unit Offering will continue to have, the ability to direct the affairs and business of the Company and it cannot be assumed that the interests of KFOC will coincide with those of the Company. This concentration of ownership potentially results in KFOC having the ability to elect the Company's board of directors and may have the effect of delaying or preventing a change in control of the Company, which may deprive the Company's shareholders of a control premium that might otherwise have been realized in connection with an acquisition of the Company. Alternatively, if KFOC sells its shareholdings to a third party, the new purchasing shareholder would obtain a considerable controlling interest in the Company. There can be no assurance that the interests of such a shareholder would be consistent with the plans of the Company as described in this prospectus supplement or that such a sale would not decrease the value of the Common Shares or the Warrants.

There may be adverse U.S. tax consequences for investors in the United States if the Company is or becomes a "passive foreign investment company" under the U.S. Internal Revenue Code.

Potential investors that are U.S. Holders (as defined in "Income Tax Considerations – United States Federal Income Tax Considerations") should be aware that we believe we were not a "passive foreign investment company" ("PFIC") under Section 1297(a) of the U.S. Internal Revenue Code for the taxable year ended December 31, 2009, and we believe we will not be a PFIC for subsequent taxable years. If we are a PFIC, any gain recognized on the sale of the Common Shares or Warrants and any "excess distributions" (as specifically defined) paid on our Common Shares must be ratably allocated to each day in a U.S. Holder's holding period for the Common Shares or Warrants. The amount of any such gain or excess distribution allocated to prior years of such U.S. Holder's holding period for the Common Shares or Warrants generally will be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such prior year, and the U.S. Holder will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

The determination of whether we will be a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether we will be a PFIC for any taxable year generally depends on our assets and income over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this prospectus supplement. Accordingly, there can be no assurance that the U.S. Internal Revenue Service will not challenge the determination made by us concerning our PFIC status or that we will not be a PFIC for any taxable year.

See "Income Tax Considerations – United States Federal Income Tax Considerations" for more information on tax considerations related to our PFIC status, including the ability of U.S. Holders to make certain elections that may mitigate the adverse consequences if the Company were a PFIC. Potential investors that are U.S. Holders should be aware that a qualified electing fund election would not be available because the Company does not intend to provide the information necessary to allow U.S. Holders to make such election.

PLAN OF DISTRIBUTION

This prospectus supplement relates to: (i) up to 8,700,000 Common Shares issuable from time to time upon the exercise of 8,700,000 Warrants expected to be issued by the Company on or about April 28, 2010 as part of the Unit Offering; (ii) up to 1,300,000 additional Common Shares issuable from time to time upon the exercise of 1,300,000 Warrants associated with the exercise of an overallotment option by the Underwriters in connection with the Unit Offering; and (iii) such indeterminate number of additional Common Shares that may be issuable by reason of the anti-dilution provisions contained in the indenture governing the Warrants. Each whole Warrant entitles the purchaser to purchase one Common Share for a price of Cdn.\$6.50 per Common Share, subject to adjustment in certain circumstances, at any time on or prior to 5:00 p.m. (Toronto time) on October 28, 2011 (the "Expiry Time"), subject to early termination. See "Description of Share Capital – Warrants."

On April 21, 2010, the Company filed the Supplement with the securities commission or similar regulatory authority in each of the provinces of Canada and with the SEC relating to the Unit Offering. In connection with the Unit Offering, the Company entered into an underwriting agreement dated April 21, 2010 with the Underwriters, pursuant to which the Company agreed to sell and the Underwriters agreed to purchase from the Company 17,400,000 Units (not including an additional 2,600,000 Units issuable pursuant to the exercise of the overallotment option granted to the Underwriters), at a price of Cdn.\$5.00 per Unit. The Unit Offering is expected to close on April 28, 2010. The exercise price of the Warrants was determined by negotiation between the Company and the

Underwriters. The Company is required to file this prospectus supplement with the SEC registering the distribution of the Common Shares issuable from time to time upon the exercise of the Warrants.

The Company has filed the accompanying prospectus with the securities commission or similar regulatory authority in each of the provinces of Canada and has filed a registration statement on Form F-10 (File No. 333-164512), as amended (the "Shelf Registration Statement") with the SEC relating to the offering by the Company from time to time during the 25 months that the accompanying prospectus, including amendments thereto, remains valid of up to US\$300,000,000 of Common Shares, special shares, debt securities, warrants, share purchase contracts, share purchase or equity units or subscription receipts. The Shelf Registration Statement was declared effective by the SEC on February 10, 2010.

This prospectus supplement registers the distribution of the securities to which it relates under the Exchange Act, in accordance with the MJDS adopted by the SEC and the securities commissions or similar regulatory authorities in each of the provinces of Canada except Quebec. This prospectus supplement does not qualify in any of the provinces of Canada the distribution of the securities to which it relates.

The Common Shares to which this prospectus supplement relates will be sold directly by the Company to holders of Warrants on the exercise of such Warrants. No underwriters, dealers or agents will be involved in these sales. **No underwriter has been involved in the preparation of, or has performed any review of, this prospectus supplement or the accompanying prospectus.**

USE OF PROCEEDS

From time to time, when Warrants are exercised, the Company will receive proceeds equal to the aggregate exercise price of such Warrants unless the Warrants are exercised pursuant to the cashless exercise provisions. Assuming that all of the Warrants are exercised prior to the Expiry Time and that no adjustment based on the anti-dilution provisions contained in the indenture governing the Warrants has taken place, the net proceeds to the Company will be approximately Cdn.\$65,000,000. The net proceeds from the exercise of Warrants are currently intended to be used to fund the development of the Offset Zone at the Lac des Iles mine, to fund other capital expenditures, for exploration and development expenditures at its properties (including the Lac des Iles mine and the Sleeping Giant gold mine), to fund working capital requirements and for general corporate purposes, which may potentially include future acquisitions. As part of its development strategy, the Company may acquire additional mining properties where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition candidates in the future or that any such acquisitions will be successful.

It is anticipated that the Company will invest the funds that it does not immediately require in investment grade income securities or short-term marketable securities.

The actual amount that the Company spends in connection with each of the intended uses of proceeds may vary significantly and will depend on a number of factors, including those listed under "Risk Factors" in this prospectus supplement.

EXCHANGE RATE INFORMATION

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

	Year Ended December 31,				
	2005	2006	2007	2008	2009
Highest rate during period	0.8690	0.9099	1.0905	1.0289	0.9716
Lowest rate during period	0.7872	0.8528	0.8437	0.7711	0.7692
Average rate during period	0.8254	0.8817	0.9304	0.9381	0.8757
Rate at the end of period	0.8577	0.8581	1.0120	0.8166	0.9555

On April 26, 2010, the noon buying rate published by the Bank of Canada was Cdn.\$1.00 equals US\$0.9991. The Canadian dollar/U.S. dollar exchange rate has varied significantly over the last several years and investors are cautioned that the exchange rates presented here are historical and are not indicative of future exchange rates.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of special shares, issuable in series. The Company is proposing to amend its articles of incorporation at its annual and special meeting of shareholders on May 20, 2010, to eliminate the class of special shares. As of March 31, 2010, there were 127,407,801 Common Shares of the Company issued and outstanding and no special shares issued and outstanding. The Common Shares issued and outstanding as of March 31, 2010 exclude: (i) 3,018,050 Common Shares reserved for issuance pursuant to outstanding stock options as at March 31, 2010, which are exercisable at a weighted average exercise price of Cdn.\$3.15 per Common Share; (ii) 951,649 Common Shares reserved for issuance upon the exercise of the Company's outstanding Series II Warrants (the exercise price of such Series II Warrants is US\$7.85); (iii) 330,000 Common Shares reserved for issuance upon the exercise of warrants issued by Cadiscor (with a weighted average exercise price of Cdn.\$2.12), which were assumed by the Company on its acquisition of Cadiscor on May 26, 2009; and (iv) 9,200,000 Common Shares reserved for issuance upon the exercise of warrants (the "2009 Warrants") issued in connection with a financing conducted by the Company in September 2009 (the exercise price of the 2009 Warrants is Cdn.\$4.25).

Common Shares

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

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

The Company's by-laws provide for certain rights of its shareholders in accordance with the provisions of the CBCA. Such by-laws may be amended either by a majority vote of the shareholders or by a majority vote of the board of directors. Any amendment of the by-laws by action of the board of

directors must be submitted to the next meeting of the shareholders whereupon the by-law amendment must be confirmed as amended by a majority vote of the shareholders voting on such matter. If the by-law amendment is rejected by the shareholders, the by-law ceases to be effective and no subsequent resolution of the board of directors to amend a by-law having substantially the same purpose or effect shall be effective until it is confirmed or confirmed as amended by the shareholders.

Shareholders do not have cumulative voting rights for the election of directors. Therefore, the holders of more than 50% of the Common Shares voting for the election of directors could, if they choose to do so, elect all of the directors and, in such event, the holders of the remaining Common Shares would not be able to elect any directors. In this regard, KFOC, which will own approximately 25.6% of the outstanding Common Shares following the Unit Offering (assuming that KFOC has made and makes no purchases of Common Shares after April 20, 2010, including no purchases of Units in connection with the Unit Offering), may be considered to have the ability to exercise de facto control of the Company. For additional information regarding the risks associated with KFOC's shareholdings, see "Risk Factors Risks Related to the Common Shares and Warrants *The Company's principal shareholder, KFOC, will own approximately 25.6% of the outstanding Common Shares following the Unit Offering*" in this prospectus supplement.

The rights of holders of Common Shares may be adversely affected by the rights of holders of any special shares that may be issued in the future. See "Risk Factors Risks Related to the Company's Securities *The board of directors may issue, without shareholder approval, an unlimited number of Special Shares that have rights and preferences potentially superior to those of the Common Shares. Such an issuance may delay or prevent a change of control*" in the accompanying prospectus.

Warrants

The Warrants will be issued in registered form under, and are governed by, an indenture dated as of April 27, 2010 (the "Warrant Indenture") between the Company, on the one hand, and Computershare Trust Company of Canada, on the other hand, as warrant trustee. Each whole Warrant will entitle the holder to purchase one Common Share at an exercise price of Cdn.\$6.50, subject to adjustment and early termination as described below. The Warrants will expire if not exercised prior to 5:00 p.m. (Toronto time) on October 28, 2011. The Common Shares underlying the Warrants, when issued upon exercise of the Warrants, will be fully paid and non-assessable, and the Company will pay any transfer tax incurred as a result of the issuance of the underlying Common Shares except for any tax payable in respect of any transfer in a name other than the holders'.

The Warrants make provision for cashless exercise in the event the Common Shares issuable upon exercise of the Warrants are not registered under the Securities Act, at the time of exercise. There is no minimum or maximum amount which may be exercised at any one time. The Warrants may be transferred or assigned. The Company may require payment of a sum sufficient to cover any taxes or governmental or other charges that may be imposed in connection with any registration of transfer or exchange of a Warrant certificate.

The Warrant Indenture provides for adjustment in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including:

- (a) the issuance of common shares or securities exchangeable for or convertible into Common Shares at no additional cost to all or substantially all of the holders of the Common Shares by way of a stock dividend or other distribution;
- (b) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- (c) the reduction, combination or consolidation of the Common Shares into a lesser number of shares;

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- (d) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, for the Common Shares on such record date; and
- (e) the issuance or distribution to all or substantially all of the holders of Common Shares of securities of the Company (including securities exchangeable for or convertible into Common Shares), or other property or assets of the Company.

The Warrant Indenture also provides for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events:

- (a) reclassification of the Common Shares (other than as described above);
- (b) consolidation, amalgamations, arrangements or mergers of the Company with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding common shares or a change of the Common Shares into other shares); or
- (c) the transfer of the property or assets of the Company as an entirety or substantially as an entirety to another corporation or entity (other than transfers of the property or assets of the Company which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares).

No adjustment to the exercise price or the number of Common Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the prevailing exercise price or a change in the number of Common Shares purchasable upon exercise by at least one one-hundredth of a Common Share, as the case may be.

In the event that the 20-day volume weighted average price of the Common Shares on the TSX is greater than Cdn.\$7.50 at any time following the closing of the Unit Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

The Company also covenants in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to each registered holder of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Common Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

The Company is not required to issue fractional shares upon the exercise of the Warrants (and is not required to pay cash in lieu of the issuance of fractional shares). The holders of the Warrants do not possess any rights as shareholders of the Company until such holders exercise the Warrants.

For the life of the Warrants, subject to their terms, the holders of the Warrants have the opportunity to profit from a rise in the market price of the Common Shares without assuming the risk of ownership of the underlying Common Shares. The Warrant holders may be expected to exercise the Warrants at a time when the Company would, in all likelihood, be able to obtain any needed capital by an offering of Common Shares on terms more favorable than those provided for by the Warrants. Furthermore, the terms on which the Company obtains additional capital during the life of the Warrants may be adversely affected by the existence of these Warrants.

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From time to time, the Company and the warrant trustee, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that, in the opinion of the warrant trustee, does not prejudice the rights of the warrant trustee or the holders of the Warrants. In accordance with and subject to the terms of the Warrant Indenture, amendments or supplements to the Warrant Indenture that so prejudice the interests of the holders of the Warrants may only be made by "extraordinary resolution", which will be defined in the Warrant Indenture as a resolution either (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of common shares which may be acquired pursuant to all the then outstanding warrants, and passed by the affirmative vote of holders of Warrants representing not less than 66²/₃% of the votes cast upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants entitled to acquire not less than 66²/₃% of the aggregate number of Common Shares which may be acquired pursuant to all the then outstanding Warrants.

The TSX has conditionally approved and the NYSE Amex has approved the listing of the Common Shares and the Common Shares issuable upon exercise of the Warrants. In addition, the TSX has conditionally approved the listing of the Warrants (under the symbol PDL.WT.B). Listing on the TSX is subject to the Company fulfilling all of the requirements of the TSX on or before July 20, 2010, including, in the case of the Warrants, distribution to a minimum number of public securityholders.

All of the foregoing statements are subject to the more detailed provisions of the Warrant Indenture.

INCOME TAX CONSIDERATIONS

Canadian Federal Income Tax Considerations

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a holder who acquires beneficial ownership of Common Shares upon the exercise by such holder of Warrants acquired pursuant to the Unit Offering. This summary applies only to a holder who, for the purposes of the *Income Tax Act* (Canada) (the "Tax Act"), at all relevant times: (i) deals at arm's length with and is not affiliated with the Company; and (ii) holds the Common Shares as capital property (a "Holder"). Common Shares will generally be considered to be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" within the meaning of section 142.2 of the Tax Act; (ii) that is a "specified financial institution" as defined in subsection 248(1) of the Tax Act; (iii) that has made a "functional currency" reporting election under section 261 of the Tax Act; or (iv) an interest in which is, or for whom a Common Share would be, a "tax shelter investment" for the purposes of the Tax Act. Such Holders should consult their own tax advisors.

This summary is based upon: (i) the current provisions of the Tax Act and the regulations thereunder (the "Regulations") in force as of the date hereof; (ii) all specific proposals (the "Proposed Amendments") to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof; and (iii) the Company's understanding of the current publicly available published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"). No assurance can be given that the Proposed Amendments will be enacted or otherwise implemented in their current form, if at all. If the Proposed Amendments are not enacted or otherwise implemented as presently proposed, the tax consequences may not be as described below in all cases. This summary does not otherwise take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada.

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Subject to certain exceptions that are not discussed in this summary, for the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Common Shares must be determined in Canadian dollars based on the exchange rates as determined in accordance with the Tax Act. Holders who determine or wish to determine amounts for the purposes of the Tax Act in a currency other than the Canadian dollar should consult their own tax advisors in this regard.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors with respect to their particular circumstances.

Holders Resident in Canada

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act (a "Resident Holder"). A Resident Holder whose Common Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Common Shares and every other "Canadian security" (as defined in the Tax Act) owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Resident Holders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances.

Dividends

A Resident Holder will be required to include in computing its income for a taxation year any taxable dividends received or deemed to be received on the Common Shares. In the case of a Resident Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations. Taxable dividends received from the Company which are designated by the Company as "eligible dividends" will be subject to an enhanced gross-up and dividend tax credit regime in accordance with the rules in the Tax Act. In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year.

A Resident Holder that is a "private corporation" or a "subject corporation", as defined in the Tax Act, will generally be liable to pay a refundable tax of 33 $\frac{1}{3}$ % under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income for the year. This tax will generally be refunded to the corporation at a rate of \$1.00 for every \$3.00 of taxable dividends paid while it is a private corporation or a subject corporation.

Taxable dividends received by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders that are individuals should consult their own tax advisors in this regard.

Taxable Capital Gains and Losses

A Resident Holder who disposes of or is deemed to have disposed of a Common Share will generally realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the Resident Holder of the Common Share immediately before the disposition or deemed disposition. The adjusted cost base to a Resident Holder of Common Shares acquired upon the exercise of Warrants acquired pursuant to the Unit Offering will be determined by averaging the cost of such Common Shares with the adjusted cost base of all other Common Shares (if any) held by the Resident Holder as capital property at that time.

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A Resident Holder will generally be required to include in computing its income for the taxation year of disposition, one-half of the amount of any capital gain (a "taxable capital gain") realized in such year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder will generally be required to deduct one-half of the amount of any capital loss (an "allowable capital loss") against taxable capital gains realized in the taxation year of disposition. Allowable capital losses in excess of taxable capital gains for the taxation year of disposition generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of a Common Share by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Common Shares to the extent and under the circumstances specified in the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares or where a partnership or trust, of which a corporation is a member or a beneficiary, is a member of a partnership or a beneficiary of a trust that owns Common Shares. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Capital gains realized by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders that are individuals should consult their own tax advisors in this regard.

Additional Refundable Tax

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of $6\frac{2}{3}\%$ on its "aggregate investment income" (as defined in the Tax Act) for the year, including taxable capital gains realized on the disposition of Common Shares as well as dividends received or deemed to have been received on Common Shares (other than dividends that are deductible in computing such Resident Holder's taxable income).

Holdings Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act: (i) is not, and is not deemed to be, resident in Canada; and (ii) does not use or hold (and will not be deemed to use or hold) the Common Shares in connection with carrying on a business in Canada (a "Non-Resident Holder"). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere and such Non-Resident Holders should consult their own tax advisors.

Dividends

Dividends on the Common Shares paid or credited or deemed to be paid or credited by the Company to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25%, subject to any reduction in the rate of withholding to which the Non-Resident Holder is entitled under any applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. For example, where a Non-Resident Holder is a resident of the United States, is fully entitled to the benefits under the *Canada-United States Income Tax Convention (1980)* and is the beneficial owner of the dividend, the applicable rate of Canadian withholding tax on dividends is generally reduced to 15%.

Dispositions

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Common Share unless the Common Share is, or is deemed to be, "taxable Canadian property" of the Non-Resident Holder for the purposes of the Tax Act and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident.

Generally, a Common Share will not constitute taxable Canadian property of a Non-Resident Holder provided that (i) the Common Shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the TSX) at the time of disposition or deemed disposition, and (ii) at no time during the 60 month period immediately preceding the disposition or deemed disposition of the Common Share were 25% or more of the issued shares of any class or series of the capital stock of the Company owned by the Non-Resident Holder, by persons with whom the Non-Resident Holder did not deal at arm's length, or by the Non-Resident Holder together with such persons. Under Proposed Amendments announced by the Minister of Finance (Canada) on March 4, 2010, a Common Share listed on a "designated stock exchange" will generally not constitute taxable Canadian property of a Non-Resident Holder unless, at any time during the 60 month period immediately preceding the disposition or deemed disposition of the Common Share, both (i) 25% or more of the issued shares of any class or series of the capital stock of the Company were owned by or belonged to one or any combination of the Non-Resident Holder, and persons with whom the Non-Resident Holder did not deal at arm's length, and (ii) more than 50% of the fair market value of the Common Share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) and options in respect of, interests in, or civil law rights in, any such properties. In addition to the foregoing, certain provisions of the Tax Act may deem a Common Share to be "taxable Canadian property" of a Non-Resident Holder in specific circumstances.

In cases where a Non-Resident Holder disposes or is deemed to have disposed of a Common Share that is, or is deemed to be, taxable Canadian property to that Non-Resident Holder, and the Non-Resident Holder is not entitled to an exemption under an applicable income tax convention, the consequences described under the heading "*Holders Resident in Canada Taxable Capital Gains and Losses*" will generally be applicable to such disposition. Such Non-Resident Holders should consult their own tax advisors.

United States Federal Income Tax Considerations

The following is a general summary of the material United States federal income tax considerations relating to the ownership and disposition of the Common Shares received in connection with the exercise of the Warrants. The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, Internal Revenue Service ("IRS") rulings, judicial decisions and the *Canada-United States Income Tax Convention (1980)* (the "Convention"), all as in effect as of the date hereof, all of which may be repealed, revoked or modified (possibly with retroactive effect) so as to result in United States federal income tax consequences different from those discussed below.

This summary is applicable to U.S. Holders who are residents of the United States for purposes of the Convention and who qualify for the full benefits of the Convention. Except where expressly noted, it deals only with Common Shares or Warrants held as "capital assets" (generally, property held for investment purposes) and does not deal with U.S. Holders subject to special tax rules, such as brokers, dealers in securities or currencies, financial institutions, tax-exempt entities or qualified retirement plans, insurance companies, persons holding Common Shares or Warrants as part of a hedging, integration, conversion or constructive sale transaction or a straddle, persons who own or have owned

(or who are deemed to own or have owned for United States federal income tax purposes) 10% or more of the total combined voting power of the Company's stock, traders who elect to mark-to-market their securities, persons whose "functional currency" is not the United States dollar, or persons owning (either alone or with others that they do not deal with at arm's length) 25% or more of the issued shares of any class of the Company's capital stock within 5 years of the disposition of Common Shares or Warrants. This discussion also does not address any United States federal income tax consequences to any individual expatriate or to any person who owns an interest in any entity that holds Common Shares or Warrants. Furthermore, this summary does not address alternative minimum taxes, or any aspect of foreign, state, local, estate or gift taxation.

PERSONS CONSIDERING THE EXERCISE OF WARRANTS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IN LIGHT OF THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER JURISDICTION.

As used herein, the term "U.S. Holder" means a beneficial holder of a Common Share or Warrant that is for United States federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation (or any entity that is treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source, or (iv) a trust (X) that is subject to the supervision of a court within the United States and the control of one or more United States persons or (Y) that has an election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

If a pass-through entity, including a partnership or other entity taxable as a partnership for United States federal income tax purposes, holds Common Shares or Warrants, the United States federal income tax treatment of an owner or partner generally will depend on the status of the owner or partner and the activities of the pass-through entity. A U.S. person that is an owner or partner of the pass-through entity holding Common Shares or Warrants should consult its own tax advisor.

Common Shares

Distributions

The gross amount of any distribution received by a U.S. Holder with respect to Common Shares (including amounts withheld to pay Canadian withholding taxes) will be included in the gross income of such U.S. Holder, as a dividend, to the extent attributable to current or accumulated earnings and profits of the Company, as determined under United States federal income tax principles. The Company does not intend to calculate its earnings and profits under United States federal income tax rules. Accordingly, U.S. Holders should expect that a distribution generally will be treated as a dividend for United States federal income tax purposes. Provided that the Company is not treated as a passive foreign investment company for the taxable years ending December 31, 2009 and 2010, the Company believes that it is considered to be a "qualified foreign corporation," and therefore distributions, if any, to non-corporate U.S. Holders (including individuals) that are treated as dividends should qualify for a reduced rate of tax for dividends received on or before December 31, 2010. If the Company is a passive foreign investment company under the rules discussed below, distributions treated as dividends will be taxable at the higher ordinary income tax rates. Dividends on Common Shares will not be eligible for the dividends received deduction allowed to corporations under the Code.

The amount of any dividend paid in Canadian dollars (including amounts withheld to pay Canadian withholding taxes) will equal the United States dollar value of the Canadian dollars calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. Holder, regardless of whether the Canadian dollars are converted into United States dollars. If the Canadian dollars received as a dividend are converted into United States dollars on the date of receipt, the U.S. Holder generally should not be required to recognize foreign currency gains or losses in

respect of the dividend income. If the Canadian dollars received as a dividend are not converted into United States dollars on the date of receipt, a U.S. Holder will have a tax basis in the Canadian dollars equal to their United States dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Canadian dollars by a U.S. Holder will be treated as United States source ordinary income or loss.

The maximum rate of Canadian withholding tax on dividends paid to a U.S. Holder pursuant to the Convention currently is 15%. A U.S. Holder may be entitled to deduct or credit such tax, subject to applicable limitations in the Code. For purposes of calculating the foreign tax credit, dividends paid on the Common Shares generally will be treated as income from foreign sources and generally will constitute "passive category income." The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

A U.S. Holder will recognize gain or loss on the sale, exchange or other taxable disposition of Common Shares in an amount equal to the difference between the United States dollar value of the amount realized with respect to the Common Shares and the United States dollar value of the U.S. Holder's adjusted tax basis in the Common Shares. A U.S. Holder's initial tax basis in the Common Share received on the exercise of a Warrant generally should be equal to the sum of (a) the U.S. Holder's tax basis in such Warrant plus (b) the exercise price paid by the U.S. Holder on the exercise of the Warrant.

Subject to the discussion below under "Passive Foreign Investment Company Rules," the gain or loss will be capital gain or loss. Capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. Subject to the discussion below under "Passive Foreign Investment Company Rules," a U.S. Holder's holding period for a Common Share received on the exercise of a Warrant generally should begin on the day after the date that the U.S. Holder exercises the Warrant. The deductibility of capital losses is subject to limitations. Any capital gain or loss recognized by a U.S. Holder generally will be treated as United States source gain or loss for United States foreign tax credit purposes.

Passive Foreign Investment Company Rules

Generally adverse United States federal income tax rules apply to U.S. Holders owning shares of a PFIC. A non-U.S. corporation generally will be classified as a PFIC for United States federal income tax purposes in any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries, either at least 75% of its gross income is "passive income" (the "income test"), or on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income (the "asset test"). For this purpose, passive income generally includes, among other things, dividends, interest, certain rents and royalties, certain gains from the sales of commodities, and gains from the disposition of passive assets. However, passive income does not include gains from the sale of commodities that arise in the active conduct of a commodities business by a non-U.S. corporation, provided that certain other requirements are satisfied.

The Company believes that it was not a PFIC for the taxable year ending December 31, 2009 and expects that it will not be a PFIC for subsequent taxable years. However, because the PFIC determination is made annually at the close of the taxable year in question on the basis of facts and circumstances that may be beyond the Company's control and because the principles and methodology for applying the PFIC tests are not entirely clear, there can be no assurance that the Company will not be a PFIC in the current or subsequent taxable years.

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If the Company were a PFIC in any taxable year during a U.S. Holder's holding period for Common Shares, the U.S. Holder generally would be subject to special rules with respect to "excess distributions" made by the Company on the Common Shares and with respect to gain from the sale, exchange, or disposition (including a pledge) of Common Shares. An "excess distribution" generally is defined as the excess of distributions with respect to the Common Shares received by a U.S. Holder in any taxable year over 125% of the average annual distributions the U.S. Holder has received from the Company during the shorter of the three preceding taxable years or the U.S. Holder's holding period for the Common Shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the sale, exchange, or disposition of the Common Shares ratably over its holding period for the Common Shares. The amounts allocated to the taxable year of the sale, exchange, or disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for the other taxable year, and an interest charge would be imposed on the amount allocated to the taxable year. These rules would apply to a U.S. Holder that held Common Shares during any year in which the Company was a PFIC, even if the Company was not a PFIC in the year in which the U.S. Holder sold Common Shares or received an excess distribution in respect of its Common Shares.

If the Company were a PFIC in any taxable year, then, provided certain requirements were met, a U.S. Holder might be able to make a mark-to-market election that could alleviate certain of the tax consequences referred to above. A qualified electing fund election would not be available to U.S. Holders because the Company does not intend to provide the necessary information to allow U.S. Holders to make such an election for any tax year in which it were to be a PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax consequences that would arise if the Company were treated as a PFIC for any year, including how the PFIC rules would apply to Common Shares acquired on exercise of the Warrants, any applicable information reporting requirements and the availability of any elections that may help mitigate the tax consequences to a U.S. Holder if the Company were a PFIC.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to the payment of dividends on the Common Shares or the proceeds received on the sale, exchange, or other taxable disposition of Common Shares paid within the United States (and in certain cases, outside the United States) to U.S. Holders other than certain exempt recipients (such as corporations). In addition, a backup withholding tax (currently imposed at a rate of 28%) may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number, or is notified by the IRS that it has failed to report dividends or interest required to be shown on its United States federal income tax returns. The amount of any backup withholding from a payment to a U.S. Holder generally will be allowed as a credit against the U.S. Holder's United States federal income tax liability, and may entitle the U.S. Holder to a refund, provided that the required information is provided to the IRS in a timely manner.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE COMMON SHARES. EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH ITS OWN TAX ADVISOR CONCERNING THE TAX CONSEQUENCES OF ITS PARTICULAR SITUATION.

LEGAL MATTERS

Certain legal matters in connection with the offering of Common Shares on exercise of the Warrants will be passed upon on behalf of the Company by Stikeman Elliott LLP, with respect to Canadian legal matters, and by Skadden, Arps, Slate, Meagher & Flom LLP, with respect to United States legal matters. As at the date hereof, the partners and associates of Stikeman Elliott LLP as a group beneficially own, directly or indirectly, less than one percent of the outstanding securities of the Company.

AUDITORS, TRANSFER AGENTS AND REGISTRAR

The Company's auditors are KPMG LLP, Chartered Accountants, Bay Adelaide Centre, Suite 4600, 333 Bay Street, Toronto, Ontario M5H 2S5. KPMG LLP reports that it is independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario. KPMG LLP is registered with the Public Company Accounting Oversight Board (United States).

Computershare Investor Services Inc. is the registrar and transfer agent of the Common Shares in Canada, and Computershare Trust Company, N.A. is the co-transfer agent for the Common Shares in the United States. Computershare Trust Company of Canada is the trustee and transfer agent for the Warrants.

EXPERTS

Information relating to the Company's mineral properties in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein has been derived from reports prepared by Scott Wilson Roscoe Postle Associates Inc., Deborah A. McCombe, Ian T. Blakley, Richard E. Routledge, Jason J. Cox, Fred H. Brown, Laila Sedore (Potvin), Des Cullen, Vincent Jourdain, Bill Stone, John Caldbick, InnovExplo, Bruno Turcotte and Carl Pelletier and has been included in reliance on such persons' expertise. Each of these individuals is a qualified person as such term is defined in NI 43-101 and, with the exception of Laila Sedore (Potvin) who was an employee of the Company at the time of her report and Vincent Jourdain and John Caldbick who are employees of the Company, is independent from the Company.

None of Scott Wilson Roscoe Postle Associates Inc., Deborah A. McCombe, Ian T. Blakley, Richard E. Routledge, Jason J. Cox, Fred H. Brown, Laila Sedore (Potvin), Des Cullen, Vincent Jourdain, Bill Stone, John Caldbick, InnovExplo, Bruno Turcotte and Carl Pelletier each being companies or persons who have prepared or supervised the preparation of reports relating to the Company's mineral properties, or any director, officer, employee or partner thereof, as applicable, received or has received a direct or indirect interest in the property of the Company or of any associate or affiliate of the Company. To the knowledge of the Company, as at the date hereof, the aforementioned persons and persons at the companies specified above who participated in the preparation of such reports, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding securities of the Company.

Neither the aforementioned persons, nor any director, officer, employee or partner, as applicable, of the aforementioned companies or partnerships, is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

DOCUMENTS FILED AS PART OF THE SHELF REGISTRATION STATEMENT

In addition to the documents specified in this prospectus supplement under "Documents Incorporated by Reference" and in the accompanying prospectus under "Documents Filed as Part of the Registration Statement", the following documents have been or will be filed with the SEC as part of the registration statement to which this prospectus supplement relates:

consents of Vincent Jourdain, InnovExplo, Bruno Turcotte, Scott Wilson Roscoe Postle Associates Inc. and Carl Pelletier;
and

the Warrant Indenture.

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

North American Palladium Ltd. (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 US\$300,000,000 during the 25-month period that this prospectus, including any amendments thereto, remains effective.

Investing in the Securities involves risk. Please carefully consider the "Risk Factors" section beginning on page 5 of this prospectus.

This prospectus is filed by a foreign issuer that is permitted, pursuant to a multi-jurisdictional disclosure system adopted by the United States and Canada ("MJDS"), 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. The financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") 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 Canada. Such consequences for investors who are resident in, or citizens of, the United States or Canada 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 United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the federal 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 all or a substantial portion of the assets of the Company and said persons are located outside the United States.

No underwriter has been involved in the preparation of, or has performed a review of, the contents of this prospectus.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC") NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE SECURITIES OFFERED HEREBY, OR PASSED ON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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 (in the event the offering is a

fixed price distribution), the manner of determining the offering price(s) (in the event the offering is made at prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices), 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 (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is made at prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices), dividend rate, if any, and any other terms specific to the Equity Securities being offered; (iii) in the case of Warrants, the offering price (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is made at prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices), 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 (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is made at prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices) 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 or 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 or 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 (in the event the offering is a fixed price distribution), the manner of determining the offering price(s) (in the event the offering is made at prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices), 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 to the extent required by applicable securities laws. 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 Company's outstanding Common Shares are listed for trading on the NYSE Amex Equities ("NYSE Amex") and the Toronto Stock Exchange ("TSX") under the trading symbols "PAL" and "PDL", respectively. On February 8, 2010, the last trading day prior to the filing of this prospectus, the closing price of the Common Shares on the NYSE Amex was US\$3.62 per Common Share, and the closing price of the Common Shares on the TSX was Cdn.\$3.89 per Common Share. Unless otherwise specified in the applicable prospectus supplement, Securities other than the Common Shares and Warrants will not be listed on any securities exchange. **Other than the listing of the Common Shares on the TSX and NYSE 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 pricing of the Securities in the secondary market, the transparency and availability of trading prices, the liquidity of the Securities and the extent of regulation of the Company. See "Risk Factors".** The offering of Securities hereunder is subject to the passing upon of certain legal matters on behalf of the Company by Stikeman Elliott LLP, with respect to Canadian legal matters, and by Skadden, Arps, Slate, Meagher & Flom LLP, with respect to United States legal matters.

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Unless otherwise indicated or the context suggests otherwise, all references in this prospectus and any prospectus supplement to the "Company", "we", "us", or "our" refer to North American Palladium Ltd. and its subsidiaries.

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 or inconsistent information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the Securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus, any prospectus supplement and the documents incorporated herein and therein is accurate only as of the respective dates of the documents in which such information appears. Our business, financial condition, results of operations and prospects may have changed since those dates.

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 US\$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.**

CAUTIONARY NOTE TO UNITED STATES INVESTORS

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

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

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with the Ontario Securities Commission ("OSC") and filed with, or furnished to, the SEC. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Company at Suite 2116, 130 Adelaide Street West, Toronto, Ontario M5H 3P5, telephone 416-360-7590, or by accessing the disclosure documents available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Disclosure documents filed with, or furnished to, the SEC are available through the SEC's Electronic Document Gathering and Retrieval System (EDGAR) at www.sec.gov.

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The following documents are specifically incorporated by reference and form an integral part of this prospectus:

- (a) the annual information form of the Company dated March 16, 2009 for the financial year ended December 31, 2008;
- (b) the audited consolidated comparative financial statements of the Company and the notes thereto for the financial year ended December 31, 2008, together with the report of the auditors thereon;
- (c) management's discussion and analysis of the financial condition and results of operations of the Company for the financial year ended December 31, 2008;
- (d) the supplementary schedule of "Reconciliation to Accounting Principles Generally Accepted in the United States" prepared in connection with the audited consolidated comparative financial statements of the Company for the financial year ended December 31, 2008;
- (e) the management information circular of the Company dated April 23, 2009 prepared in connection with the Company's annual meeting of shareholders held on May 28, 2009, excluding those portions under the headings "Solicitation of Proxies", "Appointment and Revocation of Proxy", "Exercise of Discretion by Proxies", "Performance Graph", "Corporate Governance" and "Obligations, Duties and Roles of the Board of Directors";
- (f) the business acquisition report of the Company dated as of June 5, 2009, prepared in connection with the merger by way of plan of arrangement (the "Arrangement") between the Company and Cadiscor Resources Inc. ("Cadiscor");
- (g) the unaudited comparative consolidated financial statements of the Company and the notes thereto for the nine month period ended September 30, 2009 (the "Interim Financial Statements");
- (h) management's discussion and analysis of the financial condition and results of operations of the Company for the nine month periods ended September 30, 2009 and 2008 (the "Interim Management's Discussion and Analysis");
- (i) the supplementary schedule of "Reconciliation to Accounting Principles Generally Accepted in the United States" prepared in connection with the Interim Financial Statements;
- (j) the audited comparative financial statements of Cadiscor and the notes thereto for the financial year ended December 31, 2008, together with the report of the auditors thereon;
- (k) the unaudited pro forma consolidated financial statements of the Company for the financial year ended December 31, 2008;
- (l) the material change report dated April 3, 2009 prepared in connection with the Arrangement;
- (m) the material change report dated August 18, 2009 prepared in connection with a proposed private placement of up to US\$50 million aggregate principal amount of 7% secured convertible notes (the "Notes");
- (n) the material change report dated September 14, 2009 prepared in connection with the Company's decision not to proceed with the proposed private placement of Notes;
- (o) the material change report dated October 1, 2009 prepared in connection with the closing of the Company's "bought deal" prospectus offering of 16,000,000 units of the Company; and

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(p)

the material change report dated December 10, 2009 prepared in connection with the planned restart of the Lac des Iles mine.

Scott Wilson Roscoe Postle Associates Inc. prepared a NI 43-101 Technical Report for the Lac des Iles property (including the Lac des Iles mine and the Offset High Grade Zone (the "Offset Zone")) (the "LDI Report"), dated and filed on SEDAR on March 13, 2009. **Mineral resource**

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estimates contained in the LDI Report were based on the assumption that production at the Lac des Iles mine would resume at the previous operating rate of 14,000 tpd milled. The LDI Report states that this rate is dependent on resuming open pit mining, and notes that scenarios that consider lower production rates, without open pit mining, are likely to involve higher unit costs (\$/t), leading to higher cut-off grades. Higher cut-off grades would reduce resource quantities, most notably in the 13 million tonnes of regular grade ore stockpile, which is very close to the cut-off grade applicable for 14,000 tpd mining and processing operations. As such, mineral resource estimates derived from the LDI Report may no longer be accurate. In addition, the LDI Report includes and updates technical information from a NI 43-101 resource estimate for the Offset Zone (the "Offset Zone Report") dated January 15, 2009. Any reference to, or information originating from, the Offset Zone Report that may be presented in the documents incorporated by reference in this prospectus is no longer relevant and is excluded from this prospectus, any prospectus supplement and the documents incorporated by reference herein and therein.

Any material change reports (excluding confidential material change reports), annual information forms, interim consolidated financial statements of the Company (including the related management's discussion and analysis), annual audited consolidated financial statements of the Company (including the auditors' report thereon and the related management's discussion and analysis), business acquisition reports, information circulars, and any other disclosure documents required to be incorporated by reference herein under Canadian National Instrument 44-101 *Short Form Prospectus Distributions* which are filed by the Company with the OSC after the date of this prospectus and prior to the termination of the offering of securities hereunder shall be deemed to be incorporated by reference into this prospectus. Any similar document filed by the Company with, or furnished by the Company to, the SEC pursuant to the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the date of this prospectus shall be deemed to be incorporated by reference in this prospectus and filed as exhibits to the registration statement of which this prospectus forms a part (in the case of any Report on Form 6-K, if and to the extent provided in such report).

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

Upon a new annual information form and corresponding annual financial statements and related management's discussion and analysis being filed by us with the OSC during the currency of this prospectus, the previous annual information form and corresponding annual financial statements and related management's discussion and analysis, the supplementary schedule of "Reconciliation to Accounting Principles Generally Accepted in the United States" prepared in connection with the annual financial statements, all interim financial statements and management's discussion and analysis, and all material change reports filed prior to the commencement of the then current financial year will be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of Securities hereunder.

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Upon each new filing of interim financial statements and related management's discussion and analysis filed with the OSC during the currency of this prospectus, the previous interim financial statements and management's discussion and analysis filed prior to the commencement of the then current interim period will be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of Securities hereunder.

A prospectus supplement or prospectus supplements containing the specific terms for an issue of Securities will be delivered to purchasers of the Securities together with this prospectus to the extent required by applicable securities laws, and will be deemed to be incorporated by reference into this prospectus as of the date of such prospectus supplement but only for the purposes of the Securities issued thereunder.

CURRENCY AND FINANCIAL STATEMENT PRESENTATION

Unless otherwise specified or the context otherwise requires, all references to dollar amounts in this prospectus, in any prospectus supplement, or in any documents incorporated by reference herein or therein are references to Canadian dollars. References to "\$" or "Cdn.\$" are to Canadian dollars and references to "US\$" are to U.S. dollars. See "Exchange Rate Information."

Unless otherwise indicated, all financial information included or incorporated by reference in this prospectus, any prospectus supplement and the documents incorporated by reference herein and therein has been prepared in accordance with Canadian GAAP. The Company's audited financial statements and interim 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"). The material adjustment that would have been recorded had the audited comparative financial statements of Cadiscor been reconciled to U.S. GAAP relates to the deferred expenditures capitalized under Canadian GAAP, which would have been expensed under U.S. GAAP. For a summary of the significant differences between Canadian GAAP and U.S. GAAP as they apply to the Company's financial statements, you should refer to our supplementary schedules of "Reconciliation to Accounting Principles Generally Accepted in the United States" prepared in connection with the audited consolidated financial statements of the Company for the financial year ended December 31, 2008 and the Interim Financial Statements. See "Documents Incorporated by Reference."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain forward-looking statements, which include future-oriented financial information, 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, including future-oriented financial information, 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.

In making the forward-looking statements, including future-oriented financial information, 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 assumption that:

placing the Lac des Iles mine on care and maintenance in October 2008 is temporary and the mine will resume operations in 2010;

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operations at the Lac des Iles mine, once operations resume, and at the Sleeping Giant mine will remain viable operationally and economically;

the expectations for mill feed head grade and mill performance will proceed as expected;

the plans for mine production, mill production and exploration will all proceed as expected;

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

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

the advice the Company has received from its consultants and advisors relating to matters such as mineral reserve and mineral resource estimates, metallurgy, permitting and environmental matters is reliable and correct and, in particular, the models, expected dilution 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.

Statements about anticipated future results, events and conditions and other statements that are not statements of historical fact may be deemed to be forward-looking statements. 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, although these words may not be present in all 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, including future-oriented financial information, the inclusion or incorporation by reference of forward-looking statements in this prospectus, in any prospectus supplement, or in any documents incorporated by reference herein or therein, 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" in this prospectus and elsewhere in this prospectus and the documents incorporated by reference herein:

the inability of the Lac des Iles mine to resume operations in the second quarter of 2010 as anticipated;

weak prices of palladium and other metals or fluctuations in commodity prices;

the state of the global economy and economic and political events, including the deterioration of the global capital markets, affecting metal supply and demand;

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

the ability of the Company to meet operating cost estimates at its Lac des Iles mine and Sleeping Giant mine;

the accuracy of mineral resource and mineral reserve estimates;

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

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

the risks of acquisitions and the failure to integrate acquired mining properties;

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

the inherent risks and hazards associated with mining and processing operations;

the failure to return to production or maintain projected production levels;

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

the Company's dependence on a third party for smelting and refining concentrate that is produced at the Lac des Iles mill;

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 employee union;

costs of complying with environmental, health and safety laws and regulations;

costs of complying with other 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;

competition from larger producers of platinum group metals and producers of gold and from potential new producers;

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

the loss of key personnel;

the potential ability of Kaiser-Francis Oil Company ("KFOC") to control the Company;

risks related to hedging strategies;

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

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risks involved in current or future litigation or regulatory proceedings;

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

the ability of shareholders in the United States to enforce civil liabilities against a Canadian corporation.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. No assurance can be given that the expectations reflected in the forward-looking statements, including future-oriented financial information, contained in this prospectus 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 expressly required by law.

INDUSTRY OVERVIEW

Principal Market for Platinum Group Metals

Platinum group metals ("PGMs") are rare precious metals with unique physical properties that are used in diverse industrial applications and in jewellery. The unique physical characteristics of PGMs include: (1) strong catalytic properties; (2) excellent conductivity and ductility; (3) a high level of resistance to corrosion; (4) strength and durability; and (5) a high melting point. Palladium, like gold, silver and platinum, is a precious metal, as well as one of the six PGMs, which also include rhodium, ruthenium, iridium and osmium. Palladium is used in the manufacture of catalytic converters in the automotive industry, the manufacture of jewellery and electronics, and in dental and chemical applications. As a precious metal, there is also investment demand for palladium in the form of doré bars, generally held as physical inventory by exchange traded funds ("ETFs") and institutional investors.

Supply

Palladium is typically produced as a by-product metal from either platinum mines in the Republic of South Africa (38%) or Norilsk Nickel's mines in Russia (44%). North America contributes approximately 14% to the world's supply of palladium, which was estimated to be approximately 6.1 million ounces in 2009. The Company is one of only two primary producers of palladium in North America.

Demand

More than half (52%) of the global demand for palladium in 2009 stemmed from the automotive industry for use in auto catalysts, while 14% stemmed from electronics, and 15% stemmed from other uses including ETFs. Chinese jewellery demand accounted for 8%, while the dental industry accounted for 11%.

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 the primary components in catalytic converters. The demand for palladium in the automotive industry has more than doubled in the last ten years due to an increase in global automotive production and the tightening of emissions standards worldwide, resulting in steady growth in the use of catalytic converters. Given that the market price for palladium has historically been substantially lower than that of platinum, catalytic converter manufacturers have substituted palladium in place of platinum, where possible, for use in gasoline powered engines. Auto makers are also now using palladium in low sulphur diesel powered engines, although the technology has not advanced sufficiently to replace platinum completely. Palladium can comprise up to approximately 30% of the PGM content of a diesel catalytic converter.

In the electronics industry, palladium's demand has been rising in recent years. This increase is largely attributable to an increase in demand for palladium-bearing semiconductors that are used in many electronic devices, including cellular telephones, personal and notebook computers, fax machines and home electronics. In the dental industry, palladium is widely used in alloys for dental restoration. Palladium is also used in the manufacture of jewellery and may be used either on its own or as an alloy in white gold. Additionally, palladium is used in crude oil refining catalysts, chemical process catalysts and various chemical applications, including the manufacture of paints, adhesives, fibers and coatings. Palladium is also used in the manufacture of polyester.

An important macroeconomic trend has been the increase in demand for palladium, along with the other precious metals (i.e. platinum, gold and silver), for investment purposes. Strong investor sentiment for these precious metals has provided support for a favourable palladium pricing

environment. Increased participation by a greater variety of market participants and the resulting improvement in liquidity, and the introduction of new investment vehicles are all improving investment demand for palladium. Palladium ETFs were introduced in 2007 by some of the same firms that have introduced platinum ETFs, and there are now palladium ETFs that trade on the London, Swiss, Tokyo and New York stock exchanges.

The Company may sell palladium into the spot market, directly to a smelter processing the Company's concentrate or directly to end users of palladium metal. In each instance the price for palladium is expected to be determined with reference to prevailing spot market prices.

Principal Market for Gold

Gold from the Sleeping Giant mine is sold into the spot market at prevailing spot market prices.

THE COMPANY

This summary highlights information contained elsewhere in this prospectus and the documents incorporated by reference herein. It does not contain all the information that may be important to you. You should carefully read the entire prospectus, including the documents incorporated by reference herein. See "Documents Incorporated by Reference" and "Available Information" in this prospectus. You should also carefully consider the matters discussed under "Risk Factors" in this prospectus.

North American Palladium Ltd. is the successor to Madeleine Mines Ltd., a company incorporated under the *Mining Companies Act* (Québec) by letters patent in 1968. In January 1992, Madeleine Mines Ltd. was amalgamated with a federally incorporated company and the amalgamated company was wound up into the parent company, 2750538 Canada Inc. This entity changed its name to Madeleine Mines Ltd. and, in June 1993, the name was changed to North American Palladium Ltd.

On May 26, 2009, the Company acquired all of the issued and outstanding shares of Cadiscor pursuant to a plan of arrangement under the *Canada Business Corporations Act*. Cadiscor is now a wholly-owned subsidiary of the Company and owns the Sleeping Giant mine. As part of its development strategy, the Company will consider acquiring additional mining properties, including gold properties, where such transactions are economically and strategically justified.

The Company's material properties are the Lac des Iles property (including the Lac des Iles mine and the Offset Zone) and the Sleeping Giant mine. Its other principal projects are the Shebandowan West Project and the Discovery Project.

The Company's head and registered office is located at Suite 2116, 130 Adelaide Street West, Toronto, Ontario, Canada M5H 3P5, telephone 416-360-7590, fax 416-360-7709.

Lac des Iles Property

The Company's Lac des Iles property is located approximately 85 kilometres northwest of the city of Thunder Bay, Ontario, Canada. The property consists of the Roby open pit mine, the Roby underground mine, the Offset Zone, a processing plant, and the original mill. The primary deposits on the property are the Roby Zone and the Offset Zone, both disseminated magmatic nickel-copper-PGM deposits. On October 21, 2008, the Company announced its intent, effective October 29, 2008, to place the Lac des Iles mine temporarily on care and maintenance due to declining metal prices. On December 8, 2009, the Company announced that it intends to re-open the Lac des Iles mine as an underground-only operation in the second quarter of 2010.

Sleeping Giant Mine

The Company's Sleeping Giant mine is located in the Abitibi region of Quebec, approximately 80 kilometres north of the town of Amos. The mine is a narrow vein underground mine that commenced production in 1988 and is accessible by a four-compartment production shaft with a total depth of 1053 metres. The mine site also has a mill with a rated capacity of 900 tonnes per day. The previous owner placed the mine on care and maintenance in September 2008. The Company poured its first gold bars at the Sleeping Giant mine on October 6, 2009 and declared commercial production effective January 1, 2010. The Company expects to produce approximately 50,000 ounces of gold in 2010. There are approximately 190 employees currently employed by the Sleeping Giant mine and mill. See "The Sleeping Giant Mine".

Discovery Project

The Company's Discovery Project is located approximately 35 kilometres northwest of the town of Lebel-sur-Quévillon, Quebec and approximately 70 kilometres from the Sleeping Giant mine. This greenfield gold exploration property is comprised of 124 contiguous mining claims covering 3,351 hectares. Cadiscor engaged InnovExplo Inc. to prepare a NI 43-101 technical report and scoping study on the project, which was issued on August 1, 2008 (the "Discovery Report").

The Discovery Report estimated that there were 3,109 tonnes of measured resources grading 8.95 g/t, 1,278,973 tonnes of indicated resources grading 5.74 g/t and 1,545,500 tonnes of inferred resources grading 5.93 g/t.

Shebandowan West Project

On December 10, 2007, the Company earned a 50% interest in the former producing Shebandowan mine and the surrounding Haines and Conacher properties pursuant to an option and joint venture agreement with Vale Inco. The properties contain a series of nickel-copper-PGM mineralized bodies and the land package is located 90 kilometres west of Thunder Bay, Ontario, and approximately 100 kilometres southwest from the Company's Lac des Iles mine. Vale Inco retained an option to increase its interest from 50% to 60%, exercisable in the event that a feasibility study on the properties results in a mineral reserve and mineral resource estimate equivalent to 200 million pounds of nickel and other metals.